Private Offering Memorandum for Secondary Offering of up to 30% of the Capital

Mezzan Holding Company KSCC

Unique access to the Gulf's food, beverage, and FMCG sectors

March 26, 2015

شركة ميزان القابضة
MEZZAN HOLDING CO.

Private Offering Memorandum for Secondary Offering of up to 30% of the Capital

MEZZAN HOLDING COMPANY KSCC

Up to 88,950,000 Ordinary Shares

This private offering memorandum (the "Offering Memorandum") constitutes a private offering of ordinary shares (the "Shares") of Mezzan Holding Company KSCC. ("Mezzan" or the "Company"), a leading manufacturer and distributor of food, beverages and FMCG, incorporated in the State of Kuwait.

Offering Price Per Ordinary Share: KWD Fils 740

The securities offered hereby consist of a secondary offering of up to 88,950,000 ordinary shares (the "Shares") to be sold by certain shareholders of the Company (the "Selling Shareholders") to new potential investors (the "Offering").

The Offering of the Shares is managed by Watani Investment Company K.S.C. (Closed) ("NBK Capital" or the "Lead Manager"), a subsidiary of National Bank of Kuwait S.A.K. ("NBK").

The Offering of the Shares is made at an offer price of KWD Fils 740 per Share. The total expected proceeds from the Offering will amount to KWD65,823,000 million. The Selling Shareholders will receive the gross proceeds of the Offering amounting to KWD65,823,000 million. See "Sources and Uses of Proceeds" on page 18 for details.

Prospective investors interested in acquiring the Shares (the "Investors") should complete and sign a binding and irrevocable subscription application, available with the Lead Manager and National Bank of Kuwait S.A.K in its capacity as Placement Agent or any other placement agent appointed from time to time, including terms and conditions thereto (the "Subscription Agreement"). All signed and fully completed Subscription Agreements along with all required documentation in order and full subscription amount should be received into the subscription account by NBK Capital no later than 12:00pm on May 12, 2015 (the "Closing Date"). The Lead Manager is entitled to close subscription before the Closing Date in the event that received subscriptions exceed the Offering amount.

Allocation of the Shares pursuant to the Offering will be determined by NBK Capital in consultation with the Selling Shareholders and the Company. Furthermore, each of NBK Capital, the Selling Shareholders and the Company reserves the right at its absolute discretion to reject applications in whole or in part without having to provide reasons and without any liability whatsoever and for whatever reason (whether in contract, tort, by law, or otherwise) and to allocate the Shares at their full and absolute discretion without any obligation to apply any pro-rata allocation or any unified allocation rules whatsoever.

Prospective Investors should carefully consider all of the information in this Offering Memorandum. See "Key Risk Factors" on page 83 to read about material risk factors prospective Investors should consider prior to subscribe for the Shares.

The Shares are currently not listed or traded on any stock exchange or market. On 24 August 2014, the Ordinary General Shareholders Assembly of Mezzan approved the listing of the Company and the Shares for trading on the Kuwait Stock Exchange. On March 26, 2015, Mezzan received a preliminary approval from the Capital Markets Authority of Kuwait to list the Company and the Shares for trading on the official market of the Kuwait Stock Exchange subject to successful completion of the Offering to satisfy the minimum float and number of shareholders required for listing and remaining procedures for listing and trading. It is the intention of the Company to reduce the time period between the Closing Date and the first trading day of the Shares, however, the Company targets to finalize all procedures to have the first trading day of the Shares on the Kuwait Stock Exchange to be within the second quarter of 2015 but there can be no guarantee that this will be the case. At this stage, no public market exists for the Shares, and no assurance can be given that a public market for the Shares will develop or be sustained in the future. The Kuwait Capital Markert Authority has approved and authorized this Offering Memorandum and the Secondary Offering of the shares on March 24, 2015.

NOTICE TO POTENTIAL INVESTORS

FOR THE PURPOSE OF REVIEWING THIS OFFERING MEMORANDUM, THE SELLING SHAREHOLDERS AND THE LEAD MANAGER RECOMMEND THAT ANY RECIPIENT HEREOF, AND PRIOR TO MAKING ANY INVESTMENT DECISION, OBTAIN A PRIOR ADVICE FROM AN ADVISOR LICENSED BY THE KUWAIT CAPITAL MARKETS AUTHORITY AND SPECIALIZED IN ADVISING ON INVESTMENTS IN SECURITIES.

THIS OFFERING MEMORANDUM HAS BEEN APPROVED BY THE KUWAIT CAPITAL MARKETS AUTHORITY AND INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH THE KUWAIT CAPITAL MARKETS LAW NUMBER 7 ISSUED IN 2010 AND THE EXECUTIVE REGULATIONS THERETO ISSUED ON MARCH 13, 2010 AS WELL AS THE KUWAIT COMPANIES LAW NUMBER 25 ISSUED IN 2012 AND ITS 97TH AMENDMENTS PUBLISHED IN 2013. THE KUWAIT CAPITAL MARKETS AUTHORITY DOES NOT TAKE ANY RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING MEMORANDUM, DOES NOT MAKE ANY REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM, OR INCURRED IN RELIANCE UPON, ANY PART OF THIS OFFERING MEMORANDUM.

Lead Manager

NBK CAPITAL

CONTENTS

MEZZAN HOLDING IS A LEADING VERTICALLY INTEGRATED MANUFACTURER, DISTRIBUTOR, AND PROVIDER OF FOOD, BEVERAGE, AND FMCG PRODUCTS AND SERVICES IN KUWAIT WITH A GROWING MIDDLE EAST BUSINESS.

SUMMARY OF MEZZAN GROUP

28.2%
Growth in 2014 revenue

358+
Brands

7
Countries

25,000+
Stock keeping units

29
Subsidiaries

KWD
182.5
Million in revenues in 2014


الوزان
كويت
انتاج الهند
الوزن الصافي ٥ كيلوغرام

INTRODUCTION TO THE TRANSACTION

With a celebrated heritage of 70 years, Mezzan Holding Company KSCC. and its subsidiaries ("Mezzan Group" or the "Company") is a well-institutionalized family-run company that is also one of the largest food and beverage conglomerates in the Middle East with 75 percent of revenues generated by consumer-driven sectors. In recent years, the Company has embarked on a series of institutionalization initiatives to evolve the Company into a regional, lean and efficient organization. The initiatives included organizational restructuring, acquisitions of complementary and value-chain enhancing businesses, investments in the operational and technological infrastructure of the Company and its subsidiaries, and the introduction of robust governance procedures. All of which were initiated and successfully completed. The Company's secondary private offering is the next step in the Company's institutionalization efforts exerted in the course of listing the Company on the Kuwait Stock Exchange.

IMPORTANT NOTICE AND DISCLAIMER

The Selling Shareholders and the Company, having made all reasonable enquiries, confirm that this document contains all material and legal information with respect to the business of the Company, its subsidiaries, and the Shares which are material in the context of the Offering. The statements contained herein are in every material respect, true and accurate and not misleading, the opinions and intentions expressed herein are honestly held, have been reached after considering all relevant material circumstances and are based on the reasonable assumptions of the Company and the Selling Shareholders. Furthermore, there are no other material, facts or opinions which have been omitted which would, in the context of the Offering, make any statement in this document misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such material facts and to verify the accuracy of all such material information contained in this Offering Memorandum.

No person is authorized to give any information or to make any representation not contained in this Offering Memorandum and any information or representation not contained in this Offering Memorandum must not be relied upon as having been authorized by the Company or its financial advisors or any affiliate or representative thereof. The delivery of this Offering Memorandum at any time does not imply that the information set forth herein is correct as of any time subsequent to its date. Any reproduction or distribution of this Offering Memorandum, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Shares offered hereby is prohibited, except to the extent such information is otherwise publicly available. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing.

This Offering Memorandum is provided solely for the use of prospective Investors invited by the Selling Shareholders to consider an investment in the Shares. Prospective Investors interested in the Offering should read this Offering Memorandum in its entirety. This Offering Memorandum should be read in conjunction with the Articles of Association of the Company. This Offering Memorandum is not intended to be the sole document upon which prospective Investors should rely in reaching an investment decision. In making an investment decision, prospective Investors should rely on their own due diligence examination of the Company and the terms of the Offering, including the risks involved. No part of this Offering Memorandum constitutes or is intended to constitute a financial, tax, or legal advice to any prospective Investor.

Notwithstanding the foregoing, this Offering Memorandum does not constitute and shall not be construed as being an offer or solicitation, nor shall it be used for those purposes by any person in any jurisdiction in which such an offer or solicitation is not authorized, the person making such an offer or solicitation is not qualified to do so, or to any person to whom it is unlawful or unauthorized to make such an offer or solicitation.

NBK Capital, NBK, their subsidiaries, affiliates, officers, directors, shareholders, partners, agents, employees, accountants, attorneys and advisers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. NBK Capital, NBK, their subsidiaries, affiliates, officers, directors, shareholders, partners, agents, employees, accountants, attorneys and advisers expressly disclaim any and all liability for, or based on, or relating to any information, including, without limitation, any information contained in, or errors in or omissions from the Offering Memorandum, or based on or relating to the use of this Offering Memorandum by prospective Investors. This Offering Memorandum does not constitute an offer to purchase or subscribe to the Shares, nor shall it, or any part of it, be relied upon in any way in connection with any contract for the acquisition of Shares nor shall it be taken as a form of commitment by the Shareholders to proceed with the Offering.

This Offering Memorandum contains industry and market data which has been obtained from market research, publicly available information and industry publications, or other sources considered to be generally reliable. Potential Investors should bear in mind that the Selling Shareholders and the Company have not independently verified information obtained from market research, publicly available information and industry publications and there is no representation or warranty, express or implied, as to the accuracy, adequacy or completeness of any of such information used in this Offering Memorandum by any of them. In making an investment decision, potential Investors must rely upon their own due diligence examination of the Company and the terms of the Offering being made in this Offering Memorandum, including the merits and risks involved. The Shares have not been recommended by any Kuwaiti authorities or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum.

This Offering involves certain high risks, as discussed in the section on “Key Risk Factors” herein. This Offering Memorandum is provided for information only and is not intended to be, and must not be taken as, the basis for an investment decision. Prospective Investors are not to construe the contents of this Offering Memorandum as constituting tax, investment or legal advice. Prior to subscribing in the Shares, each prospective Investor should consult with his, her or its own legal, business and tax advisors to determine the appropriateness and consequences of an investment in the Company for such potential Investor and arrive at an independent evaluation of such investment.

This Offering Memorandum contains material information relating to the Company and its subsidiaries and is based on the reasonable beliefs of the management of the Company and expectations based upon certain assumptions regarding trends in Kuwait and Middle East economies and other factors.

When used in this Offering Memorandum, the words, “anticipate”, “believe”, “expect”, “estimate”, “intend”, and words or phrases of similar import, as they relate to the Company and its subsidiaries are intended to identify such forward-looking statements. Such statements reflect the current risks, uncertainties, and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, market conditions, onetime events, and other factors described herein, particularly in the section entitled “Risk Factors”. Based upon changing conditions, should any one or more of these risks or uncertainties materialize or should any underlying assumptions prove incorrect, actual results may vary materially from these described herein as anticipated, believed, expected, estimated, or intended. Neither NBK Capital nor the Selling Shareholders, the Company and its subsidiaries intend to update any of the information contained in this document including any such forward looking statements.

The Company is a closed shareholding company (KSCC) established and registered pursuant to the Companies Law of Kuwait No. 97 of 2013, as amended.

This Offering Memorandum is approved for distribution on a private placement basis in Kuwait by the Capital Market Authority of Kuwait on March 24, 2015 pursuant to the Capital Markets Law No. 7 of 2012, as amended, and its Executive Regulation, as amended.

The distribution of this Offering Memorandum and the offer and sale of the Shares in certain jurisdictions may be restricted by law. Prospective Investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of shares, and any foreign exchange restrictions that may be relevant thereto.

As a result of rounding adjustments, the figures and/or percentages in this Offering Memorandum may not sum to totals.

ALL POTENTIAL INVESTORS SHOULD CAREFULLY REVIEW THE INFORMATION PRESENTED IN THE OFFERING MEMORANDUM AND ESPECIALLY IN THE “KEY RISK FACTORS” SECTION SET OUT BELOW FOR A DESCRIPTION OF CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE COMPANY (INCLUDING THE RISK OF A COMPLETE LOSS OF THEIR INVESTMENT). IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS OFFERING MEMORANDUM, YOU SHOULD SEEK INDEPENDENT PROFESSIONAL FINANCIAL ADVICE. REMEMBER THAT ALL INVESTMENTS CARRY VARYING LEVELS OF RISK AND THAT THE VALUE OF YOUR INVESTMENT MAY GO DOWN AS WELL AS UP.

RESPONSIBILITY STATEMENTS

Individuals responsible for this Offering Memorandum

This Offering Memorandum has been prepared by:

Name:	Title:	Address:
Garrett Walsh	Chief Executive Officer	Al Ardiya, Block 1, Building 287, Kuwait
Munaf Yusuf	Chief Financial Officer	
Ali Abdulrahman Al Wazzan	Executive Director - Investments	
Walid Khalil	Head of Legal Department	

EACH OF THE DIRECTORS OF THE COMPANY, WHOSE NAMES APPEAR HEREIN, ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE AND CONDUCTED A FULL AND DETAILED DUE DILIGENCE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE, COMPLETENESS AND CONTENT OF THE DOCUMENT WHICH WAS PREPARED IN ACORDANCE WITH THE LAW.

On behalf of the Board of Directors of the Company:

Name:	Title:	Signature:
Khaled Jassim Al Wazzan	Chairman	
Mohammad Jassim Al Wazzan	Vice Chairman - Executive	

DEFINITIONS

Term	Definition
"Articles of Association"	means Articles of Association of the Company;
"Board"	means the Board of Directors of Mezzan;
CAGR	means the Compounded Annual Growth Rate;
"CEO"	means the Chief Executive Officer;
"CFO"	means the Chief Financial Officer;
"Closing Date"	means the date determined by the Lead Manager as the closing date for receiving the applications, documentation and subscription amounts for subscriptions for the Shares;
"CMA"	means Kuwait's Capital Markets Authority;
"Directors"	means the members of the Board;
"DIT"	means Department of Income Taxes;
"EBIT"	means Earnings Before Interest and Tax;
"EBITDA"	means Earnings Before Interest, Tax, Depreciation and Amortization;
"F&B"	means Food and Beverages;
"Fees per Share"	means the Placement Fee;
"Fils"	means a subdivision of the Kuwaiti Dinar;
"Financial Advisor(s)"	means NBK Capital;
"FMCG"	means Fast Moving Consumer Goods;
"HR"	means Human Resources;
"GCC"	means member countries of the Gulf Cooperation Council;
"IPO"	means Initial Public Offering;
"IT"	means Information Technology;
"Gulf"	means the countries participating in the GCC;
"Offer Price"	means price per share of KWD Fils 740 without fees per Share;
"KFAS"	means Kuwait Foundation for the Advancement of Sciences;
"KITCO"	means Kuwait Indo Trading Company, a subsidiary of Mezzan;
"KSA" or "Saudi"	means the Kingdom of Saudi Arabia;
"K.S.C"	means a Kuwaiti Shareholding Company;
"KSCC"	means a Kuwaiti closed Shareholding Company;

"KSE"	means the Kuwait Stock Exchange;
"KWD"	means Kuwaiti Dinar, the lawful currency of the State of Kuwait;
"Lead Manager"	means NBK Capital;
"MENA"	means the Middle East and North Africa region;
"Mezzan Group"	means Mezzan Holding Company KSCC and its subsidiaries;
"MOD"	means the Ministry of Defense;
"MOCI"	means the Kuwaiti Ministry of Commerce and Industry;
"MOF"	means the Ministry of Finance;
"NBK Capital"	means Watani Investment Company KSCC;
"NGO"	means Non-Governmental Organization;
"Offering"	means secondary offering of up to 88,950,000 ordinary Shares in the Company;
"Offering Memorandum"	means this Offering Memorandum;
"Offering Price"	means the Offer Price per Share plus Fees per Share to be paid by an investor for Share of the Company acquired pursuant to this Offering Memorandum;
"Private Placement" or "Placement"	means the irrevocable offer by the investors to subscribe to Shares in the Company on terms set out in this Offering and the Subscription Agreement;
"Placement Fee"	means the placement fee per subscribed Share which are included in the Offering Price and are payable by the Selling Shareholders;
"SAP"	means Systems Applications and Products;
"Shares"	means Shares of the Company being offered in the Offering;
"SKU"	means Stock Keeping Unit;
"Shareholder(s)"	means a holder of Share(s) from time to time;
"Share(s)"	means an ordinary voting share, including Shares issued by the Company with a par value of KWD0.100;
"Subscription Agreement"	means the irrevocable and unconditional binding agreement to subscribe for Shares as accepted by the Lead Manager;
"UAE"	means the country of the United Arab Emirates;
"US Dollar" or "Dollar" or "US$" or "USD"	means United States Dollars, the lawful currency of the United States of America;

SUMMARY AND TERMS OF THE PRIVATE PLACEMENT

Term	Definition
"W.L.L"	means a company With Limited Liability.
The Company	Mezzan Holding Company KSCC., is a joint stock company incorporated and registered in Kuwait with commercial registration number 78031.
Company's Address	Ardiya, Block 1, Building 287 - Kuwait and its principal place of business at Shuwaikh Industrial Area 3, Block 1A, Building of Jassim Al Wazzan Sons.
The Offering	The offering of up to 88,950,000 ordinary Shares to be sold by the Selling Shareholders of the Company to new potential Investors.
Purpose of the Offering	Converting Mezzan from a private family business company to a public institution through the Offering of the Shares in preparation for listing the Company for trading on the KSE. The Offering will also return capital to the Selling Shareholders, monetizing their long-term investment.
Offering Price	The offering price is KWD Fils 740 per Share.
Minimum Subscription	Minimum Subscription of 20,000 Shares, such that each individual subscription shall be for a minimum of KWD 14,800
Offering Period	The offering period for subscription to the Shares which will commence on April 1, 2015 and expires by 12:00pm on May 12, 2015. All completed and signed Subscription Agreements, documentation and full subscription amount should be received no later than 12:00pm on May 12, 2015. The Lead Manager is entitled to close subscription before the Closing Date in the event that received subscriptions exceed the Offering amount. At their discretion, Lead Manager may extend the Offering Period for one or more additional period(s), provided that the subscription period does not exceed an agrigate of two months from the date of the CMA approval of listing the Company on the KSE or cancel the Offering.
Placement Fee	The Offering Price includes a Placement Fee payable by the Selling Shareholders.
Allocation	Allocation of the Shares pursuant to the Offering will be determined

	by the Lead Manager in consultation with the Selling Shareholders and the Company. Furthermore, each of NBK Capital, the Selling Shareholders and the Company reserves the right at its absolute discretion to reject applications in whole or in part without having to provide reasons and without any liability whatsoever and for whatever reason (whether in contract, tort, by law, or otherwise) and to allocate the Shares at their full and absolute discretion without any obligation to apply any pro-rata allocation or any unified allocation rules whatsoever.
Use of Proceeds	KWD65,823,000 million will be received by the Selling Shareholders. The Offering will diversify the Company's Shareholder base in preparation for listing on the Kuwait Stock Exchange. All fees relating to the Offering would be paid by the Selling Shareholders Reference details set forth herein under "Sources and Uses of Proceeds".
Dividends	As from the financial year ending on December 31, 2015, Shareholders recorded in the Company's share-ledger as of the date of any dividend declarations are entitled to receive the amounts due on the Shares whether in the form of cash dividends or bonus shares following the Offering. However, no assurance can be made that such dividends or distribution will be declared in the future.
Voting Rights	Each Share confers on the relevant shareholder an equal right to participate in the discussions and casting one vote on General Assembly Meetings of shareholders and to participate and receive dividends and liquidation proceeds.
Listing	The Shares are currently not listed or traded on any stock exchange or market. On August 24, 2014, the Ordinary General Shareholders Assembly of Mezzan approved the listing of the Company and the Shares for trading on the Kuwait Stock Exchange. On March 26, 2015, Mezzan received a preliminary approval from the Capital Markets Authority of Kuwait to list the Company and the Shares for trading on the official market of the Kuwait Stock Exchange subject to successful completion of the Offering to satisfy the minimum float and number of shareholders required for listing and remaining procedures for listing and trading. It is the intention of the Company to reduce the time period between the Closing Date and the first

Term	Definition
	trading day of the Shares, however, it is reasonably expected that first trading day of the Shares on the Kuwait Stock Exchange to be within the second quarter of 2015 but there can be no guarantee that this will be the case. At this stage, no public market exists for and of the Shares, and no assurance can be given that a public market for the Shares will develop or be sustained in the event or upon listing in the Kuwait Stock Exchange the future.
Risk Factors	Prospective Investors should consider all the information contained in this Offering before making an investment in the Shares, including factors set forth herein under "Key Risk Factors".
Shares	88.950 million existing and fully paid common Shares by the Selling Shareholders representing 30 percent of the Shares of the Company.
Status of Shares and Dilution	All of the Company's shares currently rank equally in all respects, including dividend payments, distributions on liquidation, and voting rights.
Payment of Offering Price and Delivery of Subscription Agreement	A signed and fully completed Subscription Agreement along with all required documentation and full subscription amount should be received into the subscription account and confirmed to NBK Capital no later than 12:00pm on May 12, 2015.
Company's total issued and allotted share capital	KWD29.65 million divided into 296,500,000 ordinary issued and allotted nominal shares each for a nominal value of 100 fils per share and fully paid. Please refer to the Capitalization section on page 17 for further details.
Cost and Expenses	The aggregate transaction costs and expenses related to the Offering were comprised of the advisory fees, legal counsel fees, CMA fees, brokerage fees, Clearing Agent fees, printing fees, and marketing materials cost and other ancillary costs and expenses will be paid by the Selling Shareholders.
Date of General Assembly Approval of Listing	August 24, 2014
Directors of the Company	Khaled Jassim M. Al Wazzan - Chairman Mohammad Jassim Al Wazzan - Vice Chairman - Executive Motasem Jassim M. Al Wazzan - Director Abdulwahab Ahmed Al Marzouq - Director Jamal Abdulhameed Al Mutawa - Director
Summary of consolidated financial results – December 31, 2014 (Audited)	Assets: KWD163.8 million Capital: KWD29.65 million Liabilities: KWD75.2 million Shareholders' Equity: KWD88.7 million Equity Attributable to Equity Holders of the Company: KWD86.5 million

Summary of consolidated financial results – December 31, 2013 (Audited)	Assets: KWD154.7 million Capital: KWD19.8 million Liabilities: KWD72.4 million Shareholders' Equity : KWD82.2 million Equity Attributable to Equity Holders of the Company: KWD70.7 million
Current Capital	The Issuer has a current authorized and paid-up capital of KWD29.65 million distributed over 296,500,000 shares with a par value of 100 Fils (KWD0.100). Please refer to the "Sources and Uses of Capital" section on page 18 for additional details.
Financial Advisor and Lead Manager	Watani Investment Company KSCC ("NBK Capital")
Placement Agent	National Bank of Kuwait S.A.K.P. or any other appointed placement agent
Law	Applicable Kuwaiti laws and regulations.
Jurisdiction	Courts of Kuwait
Auditors	Mr. Waleed Al-Osaimi of Ernst & Young
Legal Advisor to the Lead Manager	ASAR - Al Ruwayeh & Partners (acting as the Legal Advisor to the Lead Manager).

CAPITALIZATION AND SOURCES OF FINANCE

The Issuer has a current authorized and paid-up capital of KWD29.65 million distributed over 296,500,000 shares with a par value of 100 Fils (KWD0.100).

The Selling Shareholders expect to sell up to 88,950,000 of their current shares to subscribers of this Offering.

The following table, which should be read in conjunction with the financial statements of the Company (appearing in this Offering Memorandum), sets out the capitalization and borrowings of the Company as on December 31, 2014 and post the capital increase:

KWD 000	31-DEC-14 (Actual)	31-DEC-14 Post Listing (Pro Forma)
Interest bearing liabilities		
Bank Overdrafts	4,492	4,492
Short term interest bearing loans & borrowings	24,588	24,588
Long term interest bearing loans & borrowings	6,362	6,362
Total interest bearing liabilities	**35,442**	**35,442**
Share Capital	29,650	29,650
Reserves	22,689	22,689
Retained Earnings	34,179	34,179
Equity attributable to equity holders of the Parent Company	86,518	86,518
Total Equity	**88,659**	**88,659**
Total Capitalization	**124,101**	**124,101**

Mezzan Holding Company confirms that its capital of KWD29,650,000 is paid in full. A copy of the Ministry of Commerce's annotation to the commercial register could be found on page 116.

SOURCES AND USES OF CAPITAL

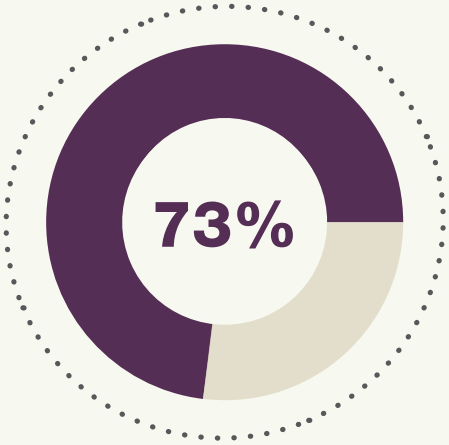
The Offering will yield gross proceeds of KWD65,823,000 million from the sale of Shares in this Offering. Such proceeds will be paid to the Selling Shareholders for the sale of their Shares. In addition, the Offering will diversify the Company's Shareholder base in preparation for listing the Company on the KSE. Fees and expenses related to the Offering will be paid by the Selling Shareholders.

MEZZAN IN A NUTSHELL

Established in the early 1940s, Mezzan Group is a unique business with market-dominating products across various consumer-driven sectors.

MEZZAN HOLDING

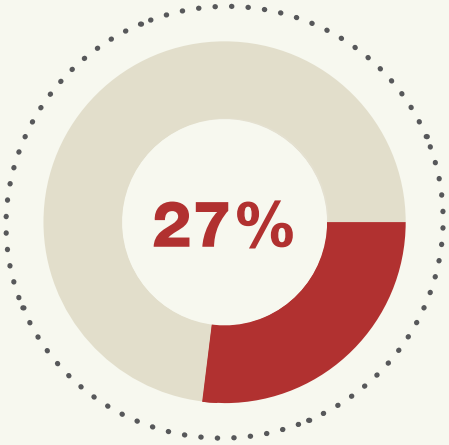
Food Business Line



73% of 2014 revenue

Mezzan's Food Business Line operates through three primary divisions: Food and Beverage Manufacturing and Distribution, Catering and Services.

Non-Food Business Line



27% of 2014 revenue

Mezzan's Non-Food Business Line comprises two divisions: FMCG and Industrials.

100K
Daily meals served

7
Countries of operations

25K
Total SKUs

PORTFOLIO OF OVER 358 LEADING CONSUMER BRANDS

Mezzan Holding's two Business Lines manufacture and distribute over 358 leading brands including Al Wazzan canned tuna, Dana and Aqua Gulf bottled water, Lurpak butter, Al Wazzan rice, KITCO chips and snacks, Khazan meat products, Starbucks retail products, Pillsburry, Green Giant, Sara Lee, Betty Crocker, Tabasco, Dettol cleaning products, Kleenex, Listerine, Pif Paf, Huggies, Clearasil, Neutrogena, Zyrtec, Tylenol, Olfen, Misporin, and Gaviscon among other.

#1 
Bottled water supplier
Qatar

#1 
Energy drink
UAE

#1 
In turkey products, ranks among top 3 in other meats categories

#1 
Canned tuna in
Kuwait

#1 
Rice supplier and a leader in essential food items
Kuwait

#1 
Chips brand
Kuwait

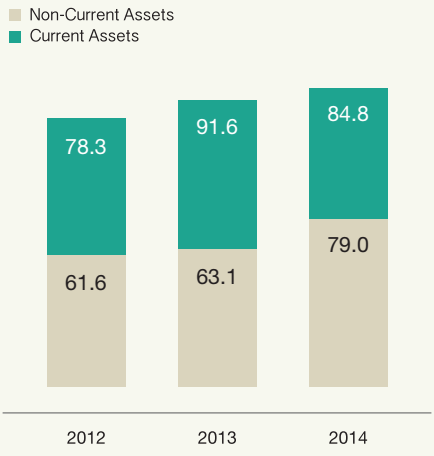
#1 
Cleaning product supplier
Kuwait

#1 
In white cheese category, and ranks among top 3 in other dairy and cheese categories

FINANCIAL HIGHLIGHTS

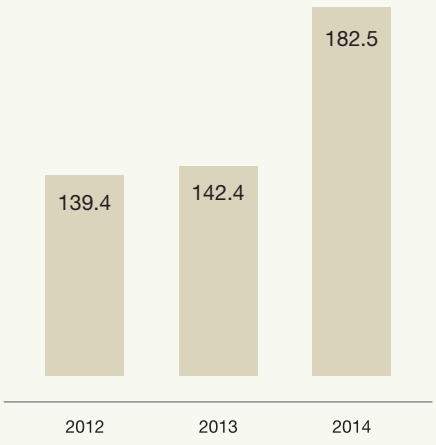
Total Assets (KWD mn)

CAGR 8.2%



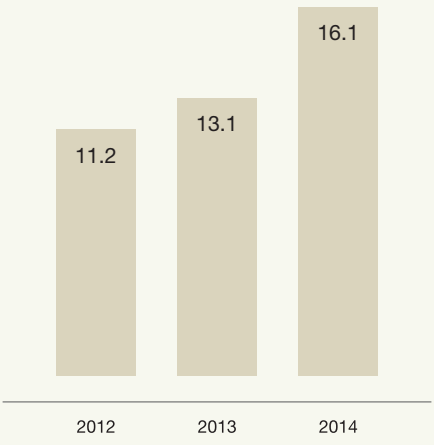
Total Revenue (KWD mn)

CAGR 14.4%



Net Profit (KWD mn)

CAGR 20.0%



THE INVESTMENT OPPORTUNITY

MEZZAN DRIVERS

- One of the largest food, beverage, and FMCG company in Kuwait, with over 25,000 SKUs
- Dominant player in Kuwait with an occupancy rate of approximately 21 percent of total shelf space in cooperative supermarkets, which proves its dominance within its market segments in the food, beverage, and FMCG sector
- Well-structured and positioned to continue growing in the Gulf both organically and through acquisitions
- An attractive opportunity for Investors to invest in a company operating in Kuwait's growing food, beverage and FMCG sector with a growing presence in the Gulf
- Business covers every segment of the consumer staple industry supported by long-standing relationships with Johnson & Johnson, Olayan Kimberly-Clark, Reckitt Benckiser, General Mills, Sara Lee, and many other leading brands
- Reinforced with decades-long strong relationships with supermarkets, cooperative supermarkets and retail networks
- A portfolio of 358+ in-demand consumer brands, including KITCO, Redbull (UAE), Khazan, Al Wazzan, Aqua Gulf Water, Johnson & Johnson, Lurpak, Kleenex
- Vertically integrated into complementary business operations, including packaging, catering, contract services and logistics

THE FOOD, BEVERAGE AND FMCG DRIVERS

- Per capita income growth rate is the highest in the world, averaging a growth of CAGR 9.1 percent since 2004
- Gulf population growth rate of CAGR 3.8 percent is three times faster than the world's average population growth rate
- Gulf per capita food consumption is expected to continue to grow at CAGR 3.1 percent over the next three years, driven by population and household income growth


خزان
Khazan
أوريكال
غنم

COMPANY OVERVIEW

Mezzan Holding Company KSCC. and its subsidiaries is one of the leading food and beverage and FMCG conglomerates in the Middle East. With a celebrated heritage of 70 years, the company manufactures and distributes over 25,000 Stock Keeping Units (SKUs) in the consumer goods and services sectors. Mezzan Group's operations span across the Gulf and other select markets through 29 vertically integrated operating companies. Its legacy brands, including Al Wazzan, KITCO and Khazan, coupled with its agency brands, have earned superior brand recognition, consumer loyalty, deep market penetration and vast market reach.

HISTORY

1940s

THE BEGINNINGS

Mezzan Group legacy began in the 1940s when the late Jassim Mohammad Ali Al Wazzan, a young eager Kuwaiti entrepreneur, saw an opportunity and invested in his first small grocery business in Kuwait City. The store specialized in selling basic household necessities, as well as preserved and canned food products. Al Wazzan then began developing relationships through exclusive deals with foreign manufacturers including Claire Ghee, Pillsbury Flour, Baird's Vinegar, Crystal Hot Sauces and other commodity items. To this day, these brands remain a staple among Middle East families and are closely aligned with Al Wazzan family.

1960s

LAUNCHING FOOD MANUFACTURING

Al Wazzan complimented his business and ventured into food manufacturing. In the 1960s, he built the GCC's first meat processor, a line of meat mincing, mixing and packaging machines producing halal meat to be later rebranded as Khazan. He also invested in one of the region's first potato chip factories by launching KITCO which remains one of the most trusted suppliers of potato chips in the region.

As part of a disciplined business strategy to expand business segments and product portfolio, Jassim Al Wazzan then looked into growing his operations as part of his sustainable business strategy, a strategy which has since been ingrained in the Group's model. Renowned international suppliers became attracted to what had become a proven and successful business model, including Johnson & Johnson, Kimberly Clark and Reckitt Benckiser, three of Mezzan Group's largest and most internationally recognized partners to this day.

1980s

EXPANDING INTO A VERTICAL MODEL

Following their father's legacy, the 1980s witnessed the entry of the second generation of Al Wazzan family into the business. The new team adopted the same fundamentals their father acquired: know the market, learn consumer behavior, provide quality products, continuously develop operations and maintain productive partnerships.

The second generation of the Al Wazzan family expanded Mezzan Group's operations and grew product offerings in a vertically integrated model of its various divisions across the consumer goods value chain which include food and beverage manufacturing and distribution, fast moving consumer goods (FMCG) distribution, catering and services. Mezzan Group also has an industrial services business division that is part of its vertically integrated model.

2000s

CONTINUING THE LEGACY

In 2009, heirs of the Jassim Al Wazzan family, now in their third generation, worked to ensure the legacy continuity, by instilling an industry-experienced management to evolve, grow and further institutionalize the organization for years to come. The new management's mandate was to improve operating efficiencies of Mezzan Group's various holdings, adopt effective corporate governance on the holding level and on the subsidiary level, increase profitability, and roll out an immediate growth strategy to cement Mezzan Group's leading position in the regional consumer goods industry. Other initiatives included the upgrade and enhancement of the IT infrastructure, which included adopting a Systems Applications Product (SAP) in order to audit internal operations and ensure security and data integrity.

Today, the Group remains committed and focused to its core business of Food and Non-Food Business Lines. Maintaining a core business with effective vertical integration has enabled the Group to enhance margins, optimize efficiencies, and build scale to give the Company an added edge over its competitors and peers.

MEZZAN GROUP TODAY

With a legacy of 70 years, the Group is a leading vertically integrated manufacturer, distributor, and provider of food, beverage, and FMCG products and services in Kuwait and the UAE, with a growing Middle East footprint. There are very few companies in Kuwait, and other Gulf countries, that were able to successfully capitalize on their first mover advantage the way the Group has. The Group grew revenues and drove penetration by introducing selection and variety to what used to be barren supermarket shelves in the 1950s.

And as customers' affluence grew with time, the Company's offering grew in parallel, leading to the emergence of a scalable, viable, sustainable performing business operation that was built around satisfying the basic needs of the modern consumer. With over 25,000 SKUs today, Mezzan Group has unique and exclusive access to, and a share of, every household's expense budget in Kuwait.

MEZZAN GROUP INCORPORATES 29 SUBSIDIARY COMPANIES, AND IS OPERATIONALLY STRUCTURED INTO TWO PRIMARY BUSINESS LINES: THE FOOD BUSINESS LINE AND THE NON-FOOD BUSINESS LINE.

HOUSEHOLD PENETRATION AND DOMINANCE

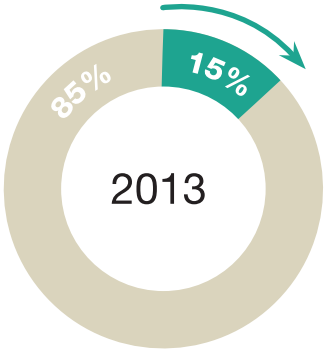
Mezzan distributes and sells over 25,000 SKUs from over 358 brands, and occupies approximately 21 percent of total shelf space of cooperative supermarkets in the segments in which it operates.

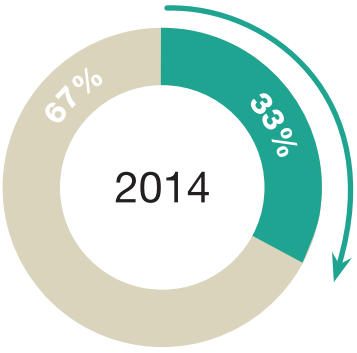
HOME-GROWN VERTICALLY INTEGRATED STRUCTURE

The Group is built on a unique vertically integrated structure that empowers the Company to innovate, to scale, and to create and optimize synergies across verticals. These strengths differentiate and shape the Company today and are the main drivers for stability and growth for the Company, and one of the primary shielding factors that protect the Company from economic downturns. This structure was the outcome of a 40-year effort that involved the creation, management and growth of the companies that form this integration directly by Mezzan Group. As a result, the companies share Mezzan Group's values and are well integrated into each other operationally. Mezzan Group only recently pursued an acquisition strategy to enhance its integration and give it access to new markets.

GROWING REGIONALLY

Non-Kuwait revenue growth:





Kuwait ■ Non-Kuwait

Kuwait ■ Non-Kuwait

OVER 358 LEADING CONSUMER BRANDS

BUSINESS OVERVIEW

FOOD BUSINESS LINE

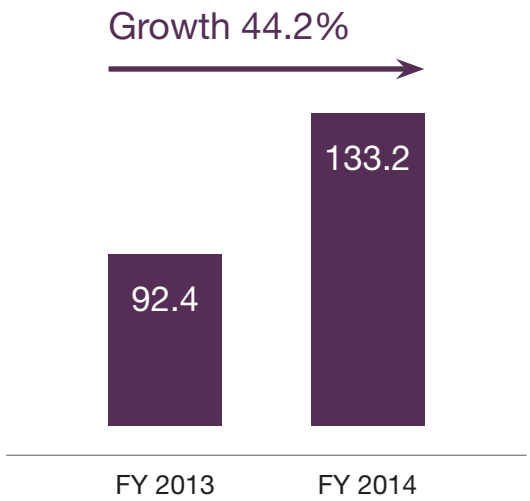
Generating 73 percent of the Company's 2014 revenue, the Group's Food and Beverage Business line operates through three primary divisions: Food and Beverage Manufacturing and Distribution, Catering, and Services. The Company's manufacturing division produces chips and snacks, meats, bottled water and canned foods through production facilities in Kuwait, Qatar, and the UAE. The products are sold across markets in the Gulf to both consumers and other clients including food services companies, global and renowned fast food restaurant chains, catering services for regional airlines amongst others. Whereas the Company's distribution division imports some of the world's leading products and distributes them across the same markets. Many of the brands and products in Mezzan's premium product portfolio hold market leadership positions in their respective market segments and geographies.

THE COMPANY'S MANUFACTURING DIVISION PRODUCES THE FOLLOWING:

- Bottled water
- Meats
- Canned foods
- Chips and snacks

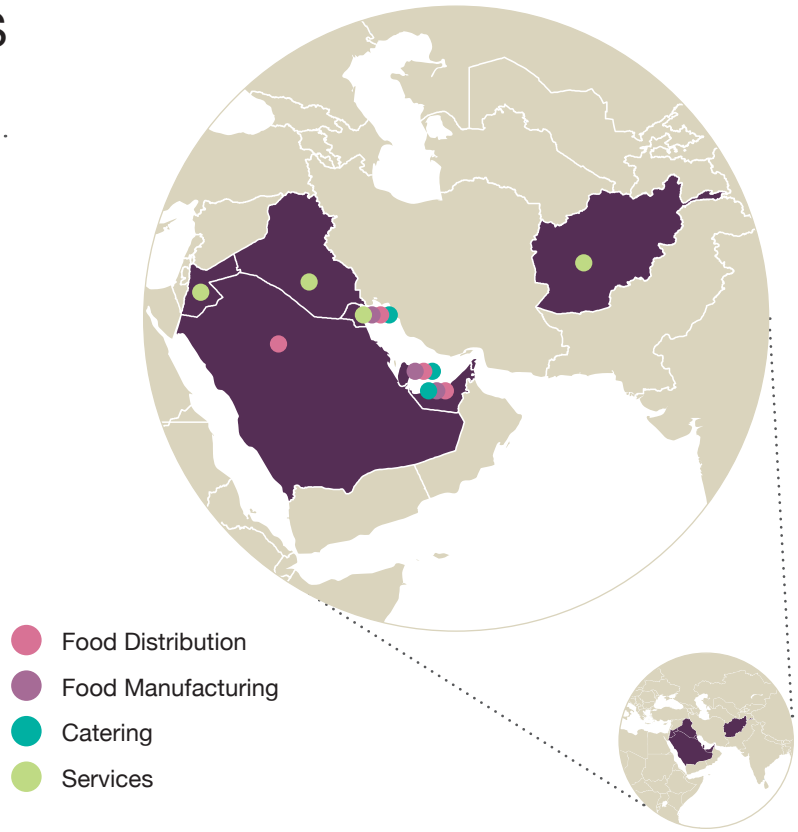
BUSINESS LINE REVENUES (KWD MILLION):

Generating 73% of the Company's 2014 revenue



** Of total Group revenue for 2014.*

COUNTRY OF OPERATIONS:



FOOD BUSINESS DIVISIONS

The Group operates through three primary divisions:

FOOD MANUFACTURING AND DISTRIBUTION		CATERING	SERVICES
51% of revenues		*15% of revenues*	*7% of revenues*
1. MANUFACTURING	**2. DISTRIBUTION**		
Business Description	**Business Description**	**Business Description**	**Business Description**
Manufacturing of food and beverages, such as KITCO snacks and Khazan meats, through production facilities in Kuwait, Qatar, Afghanistan, and UAE for own brands and third party private labels.	Distribution of owned brands and global agency brands across the Gulf countries, such as Red Bull in the UAE. Currently pursuing an aggressive expansion into the UAE market following the acquisition of Unitra Mets Group (UMG) in January 2014.	Catering services to large employers, such as corporations, hotels, and governments, in Kuwait, Qatar and the UAE. As of December 31, 2014, Mezzan serves 100,000 meals a day.	Providing clients with long-term food supply services, from food manufacturing to retail operations, in Afghanistan, Kuwait, and Jordan.
Manufacturing lines	**Product overview**	**Customer overview**	**Customer overview**
Meats, chips, snacks, bottled water, canned food, and baked goods.	Beverages, dairy products, potato chips, biscuits, rice, tuna, sugar, salt, and canned vegetables.	Major clients consist of ministries, hospitals, corporations organizations, with multi-year contracts.	Special operators and prime vendor contractors to militaries and refugee camps, including the UN World Food Programme.
Key brands	**Key brands**		

Biscuits and Cakes

SUMMARY OF MEZZAN'S FOOD BUSINESS MARKET POSITION

Category	Brand(s)	Logo	Market Position
Potato Chips	KITCO		#1 Potato chips brand in Kuwait
Rice	Al Wazzan, Country XL and Sun White		#1 Rice brand in Kuwait
Canned Tuna	Al Wazzan		#1 Canned tuna brand in Kuwait
Processed Turkey	Khazan		#1 Processed turkey brand in Kuwait
White cheese and Butter	Three Cows and Lurpak		#1 White cheese and butter brands in Kuwait
Water	Dana and Aqua Gulf		#1 Water brands collectively in Qatar #4 Water brands collectively in Kuwait
Energy Drink	RedBull		#1 Energy drink brand in the UAE
Biscuits	KITCO		#2 Biscuits brand in Kuwait
Canned Vegetables	Daniah, Al Wazzan, Khazan & Green Giant		#3 Canned vegetable brand in Kuwait

SUMMARY OF MEZZAN GROUP'S MANUFACTURING FACILITIES

Kindly refer to "Properties" section on page 91 for a summary of all of Mezzan Group's properties

Products	Facilities	Area (sqm)
Potato chips, snacks and sticks, fried snacks, Mexican tortillas, biscuits and corn chips, kettle chips	Kuwait (four facilities) UAE	13,000 11,145
Halal beef, chicken, turkey, whole chicken, mutton and fish	Kuwait UAE	4,000 6,760
Water bottles and gallons	Kuwait Qatar	4,000 25,751
Bottled vinegar and tomato paste, fava beans, chickpeas, peas, mushrooms, sweet corn, canned beef and chicken sausages	Kuwait	5,000
Cake, swiss roll, paratha bread, tortilla bread, rusk, croissant, cookies	Kuwait Afghanistan Qatar	4,000 5,000 1,000
Catering services	Kuwait Qatar UAE	3,000 1,000 2,000

FOOD INVESTMENTS

KUWAIT DAIRY CO (KD COW)

Mezzan owns an 8.156 percent stake in KD Cow, a privately held company co-founded by Jassim Al Wazzan. KD Cow specializes in the processing and marketing of fresh dairy products in the region.

NON-FOOD BUSINESS LINE

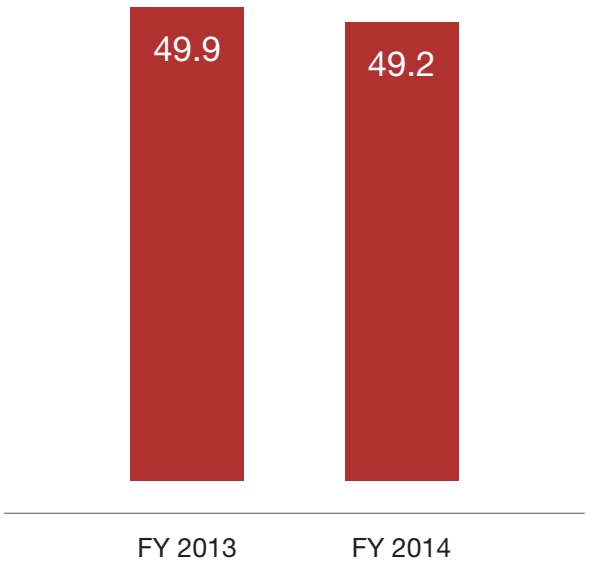
Generating 27 percent of the Company's 2014 revenue, Mezzan Group's Non-Food Business Line comprises two business divisions; FMCG, responsible for supplying market-leading household and pharmaceutical products, and Industrials. Mezzan Group maintains long-standing supplier and agency relationships, which remain the cornerstone of the segment's success. Favorable terms, streamlined processes and effective logistics have enabled Mezzan to cultivate these relationships and become one of the leading players in the FMCG market in the region.

THE COMPANY'S NON-FOOD BUSINESS LINE COMPRISES:

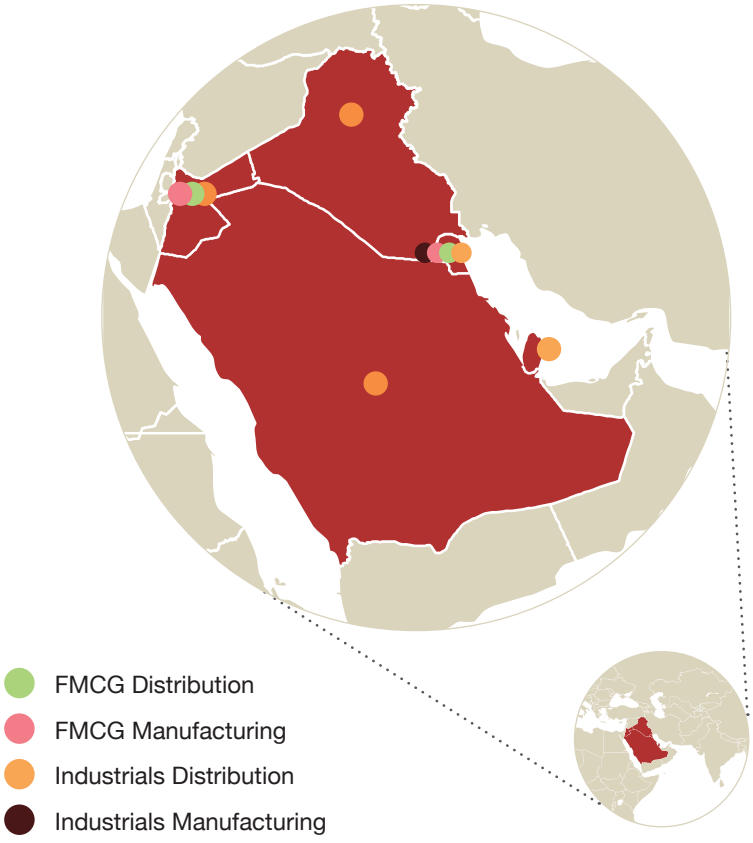
- Household products
- Packaging
- Pharmaceutical products
- Oil products

NON-FOOD BUSINESS LINE REVENUES (KWD MILLION):

Generating 27% of the Company's 2014 revenue



COUNTRY OF OPERATIONS:



** Of total Company revenue for 2014.*

NON-FOOD BUSINESS DIVISIONS

The Group operates through two primary divisions:

FMCG	INDUSTRIALS
23% of revenues	*4% of revenues*

1. HOUSEHOLD PRODUCTS

The FMCG business division distributes products from 33 premium global brands through agency agreements and exclusive supplier rights with manufacturers such as Reckitt Benckiser Arabia, Olayan Kimberly-Clark, Johnson & Johnson, among others.

The company also manufactures and distributes its own Softy brand. Softy's offering spans over 66 household and perfume products including shampoo, conditioners, and body soaps. Softy products are manufactured and sold in Kuwait and Jordan, and enjoy high brand recognition and visibility in both countries.

2. PHARMACEUTICALS

The pharmaceutical business division distributes medication and healthcare products to the local market and owns and operates 16 pharmaceutical retail outlets. The business division manages a portfolio of renowned international brands for more than 30 years, including Zyrtec, Tylenol, Xyzal, Keppra, Seven Seas, Olfen, Misporin, Gaviscon, Betadine, Reparil, Clinil, Rinoclenil, Budair, Somatostatin, Kordel's, and Hermesetas. An established Kuwaiti distributor of premium brands, the division's success is owed to its specialized knowledge of its customers and market.

From manufacturing of plastics and carton, to automotive and industrial lube oil, below is a description on each business division that fall under Mezzan's Industrials business division.

In plastics, the company supplies companies in Iraq, Saudi Arabia, Jordan and Qatar through Kuwait-based manufacturing facilities.

In cartons, the production primarily serves Mezzan's other business lines' demand for packaging materials, such as trays for water bottles, carton boxes for Mezzan meat products and boxes for Mezzan's KITCO chips and snacks.

In lube oil, Mezzan produces lube oil and recycles oil byproducts to produce motor oil, diesel oil, hydraulic oil, gear oil, radiator water, mould release oil and other products.

NON-FOOD BUSINESS OVERVIEW

As part of its vertically integrated model, Mezzan runs viable business operations in several industrial sectors. From manufacturing of plastics and carton, to automotive and industrial lube oil, below is a description on each business division that fall under Mezzan's Non-Food Business Line.

Plastics

Mezzan is invested in the plastic and packaging sector through a 55.58 percent stake in Plastics Industries Company ("PIC"). The company produces packaging material mainly for the food, FMCG and catering divisions, but also sells such products to other clients in Kuwait and neighboring countries. In Kuwait, PIC has strong and well-established relationships with key customers, including The Sultan Centre, the Kuwaiti government, and the Kuwait Flour Mills. Regionally, the company supplies companies in Iraq, Saudi Arabia, Jordan and Qatar through its Kuwait-based manufacturing facilities.

Cartons

The Cartons Business Division primarily serves Mezzan's other business lines' demand for packaging materials, such as trays for water bottles and carton boxes for Khazan meat products and KITCO potato chips.

The unit is operated through Mezzan Industries Company ("MIC") and its associate company International Paper Products Manufacturing Co. ("iPack"), a mid-sized custom folding cartons manufacturer of packaging solutions including printing, coating, foil stamping, embossing/debossing, die cutting, windowing, folding, gluing and packing.

Kuwait Lube Oil Company (KLOC)

KLOC was Kuwait's first producer of high quality automotive and industrial lubricants while protecting the environment and the natural resources of Kuwait. Today, KLOC is one of the premier lube oil companies in the Middle East with its products available in 11 countries in the Middle East. The company's products are based on recycled oil by-products into motor oil, diesel oil, hydraulic oil, gear oil, radiator water, mould release oil and other products. KLOC is the only company in Kuwait that is licensed to engage in the recycling and reusing of oil byproducts.

National Textile Co (NTC)

Mezzan owns a 31.65 percent interest in NTC, a leading manufacturer and exporter of textile in Kuwait. With factories operating in Subhan and Amghara, NTC manufactures more than 100 high quality and finished products under Al-Rabea and other brands. The product line includes dyed and printed fabric, embroidered materials, and bed comforters. The company also produces a variety of bath and kitchen products.

IN 2014, MEZZAN HOLDING CONTINUED ITS GROWTH AND EXPANSION IN THE MIDDLE EAST.

MEZZAN'S LATEST GROWTH INITIATIVES

2014 Highlights

- In January 2014, Mezzan Holding acquired Unitra Mets Group (UMG) from The Abu Dhabi Investment Company and other minority shareholders. UMG is a leading non-alcoholic beverage distributor in the UAE. In addition to UMG being a successful business, the acquisition gave Mezzan a strong distribution platform in the UAE to roll out successful products from other markets into the UAE, starting with KITCO Group's Stix chips-based product line that Mezzan is now aggressively marketing in the UAE with sales reaching twice the pre-acquisition level.

- In April 2014, Mezzan Holding commissioned a US$12.5 million water bottling production facility in Qatar that will come on-line in early 2015. The new facility capitalizes on Mezzan's very successful bottled water business in Qatar, where it has the leading market share, by raising production capacity by 136 percent.

- In June 2014, Mezzan fully consolidated KITCO Group by buying the 49 percent held by the Oberoi Family, KITCO Group's founding partners and the Group's operators, while still retaining the partners as operators. The recent acquisition aligns with Mezzan's focused expansion strategy of increasing the scale of operations in profitable ventures with proven track record.

- In August 2014, Mezzan acquired distribution rights for Starbucks range of chilled beverage products.

- In September 2014, Mezzan obtained the distribution rights for Dr. Scholl's, the renowned brand of foot care products.

Regional Business Highlights

- In Kuwait: Mezzan's Food Business Line has achieved noticeable growth especially in its tomato paste and water segments. Khazan tomato paste which was recently added under Kuwait's Tamween (subsidy food initiative) achieved noteworthy sales of KWD916,632 in 2014 compared to KWD92,355 in 2013. Additionally, a revised selling strategy has yielded significant profitability for Mezzan's local water business, with sales from NCF up 41 percent in 2014.

- In Qatar: Mezzan's Catering Services division is picking up significant government contracts serving different institutions. The catering services business in Qatar is poised to see steady growth every year, especially with the World Cup 2022 preparations being on the way.

- In UAE: The Catering Services' central kitchen in the UAE is undergoing major expansion to satisfy local market demand. The new kitchen is expected to commence operations during the first quarter of 2015 with an estimated capacity to prepare an additional 20,000 meals per day.

- In Afghanistan: Afia Trading Services ("Afia"), a fully owned subsidiary of Mezzan, was awarded a contract with ANHAM FZCO ("Anham") to provide food and beverage supplies and services to the coalition forces. Afia started rendering food services in November 2013 through its bakery, which produces five tons of baked food items per day. Furthermore, the company sources dairy and juices, which it imports from the Central Asia Confederation, as well as fruits and vegetables products sourced locally through 20,000 contract farmers. Afia maintains one storage warehouse and one leased sorting facility on-ground in Afghanistan. Mezzan enjoys a long-term relationship with its Prime Vendor that grants Mezzan access to opportunities in new markets.

- In Jordan: Mezzan entered the Jordanian market in 2013 to provide support to the United Nations (UN) in providing relief efforts to refugees. As of the time of printing this document, Mezzan's Jordan-based services operations serves the Zaatari Refugee Camp in Jordan. Following the success of these types of services in Afghanistan, Iraq, and UN-run refugee camps in Jordan, Mezzan is seeking new opportunities in this challenging and highly specialized field by building on relationships with NGOs and leveraging the strengths in other business divisions to boost the offering and the level of the service.

- In Iraq: Mezzan was contracted in 2014 by the United Nations to provide ration packages for refugees in Iraq.

Agency Brands Highlights

- Jassim Al Wazzan and Sons (JAWS) started as a distributor for Wazzan products. Leveraging the Group's resources, it developed into a trusted and respected importer and distributor of foodstuff in local retail markets for over 60 years. JAWS distributes a diversified portfolio of branded products and commodities including basmati rice, sugar, salt, tuna, canned vegetables, coconut powder, tea, olive oil, tomato ketchup and tomato paste. JAWS's current partnerships with internationally recognized quality providers include Pillsbury, Green Giant, Betty Crocker, Crystal, Sunwhite, Volvic, and historic partner Claire.

- The Arla partnership started with an agency distribution agreement, and later evolved into a profitable joint venture set up between Swedish Arla and Danish MD Foods ("Arla Foods") (49 percent) - a key international supplier of dairy products, and Mezzan (51 percent). With approximately 15 different dairy product categories, comprising 50 items including Puck Cheese and Lurpak Butter, Arla is one of the most recognized dairy products suppliers of in-demand dairy brands in Kuwait.

- Reckitt Benckiser: Mezzan has acted as Reckitt Benckiser's exclusive agent for over 30 years. Reckitt Benckiser is a distributor of disinfectants, detergents, air fresheners, and personal hygiene products. Under its agency agreement, Mezzan supplies a product portfolio that includes Dettol, Airwick, Crown, Drummer, Easy Off, Harpic, Pif Paf, Vanish, Gaviscon and most

recently Dr. Scholls. These brands have become local household names in Kuwait and continue to be an everyday necessity.

- Olayan Kimberly-Clark: Mezzan has acted as Olayan Kimberly-Clark's exclusive agent for over 30 years. Olayan Kimberly-Clark is a highly reputable joint venture company with two manufacturing facilities in Bahrain and Saudi Arabia. The company produces tissue product, feminine pads and children diapers under household brand names that include: Kleenex (tissue paper), Huggies (diapers), Kotex (feminine care products) and other notable brands.

- Johnson & Johnson: Mezzan has acted as Johnson & Johnson's exclusive agent for over 30 years. Johnson & Johnson ranks as one of the world's most respected and reputable companies. Under the agency agreement, Mezzan distributes brands including Johnson's Baby Shampoo, Johnson's, Carefree, Neutrogena, Listerine, Clean & Clear as well as other brands to the Middle East Market.

- Marico Limited: Mezzan has acted as Marico Limited's exclusive agent for over nine years providing hair care creams and oils to the Kuwait market under the Parachute brand name. Marico Limited, an Indian consumer goods company provides consumer products and services in the areas of health and beauty.

- Mezzan has other long-standing relationships with Zyrtec, Tylenol, Xyzal, Keppra, Seven Seas, Olfen, Misporin, Gaviscon, Betadine, Reparil, Clinil, Rinoclenil, Budair, Somatostatin, Kordel's, and Hermesetas.

MEZZAN'S STRATEGY

MEZZAN'S STRATEGY

Mezzan continues to maintain the business culture the late Jassim Al Wazzan instilled in the business 70 years ago, which marries strong entrepreneurial flair with best practices and Western governance and systems. Through decades of development, the Company has successfully built a deep understanding of its operating environment and consumer behavior allowing it to effectively identify opportunities to improve market reach and maximize profitability.

Today, the Company strives to become a leading player in each market it operates in by focusing on solidifying the curent dominant position earned by business divisions and product categories, and expanding into attractive markets while upholding international standards of operations, keeping an eye out for investments and acquisition opportunities in the Gulf and North Africa of consumer-based businesses.

MEZZAN'S FOUR STRATEGIC PILLARS FOR GROWTH ARE:

Grow Scale

Grow scale by increasing capacity across business lines and identifying new opportunities for synergies within the group of companies

Grow Footprint

Expand market coverage by penetrating new geographies and widening product offerings throughout the Gulf and other selected markets through acquisitions of consumer-based businesses in the region

Grow Products

Increase product offerings into new adjacent and emerging categories

Grow Market Share

Drive up market share through constantly increasing visibility and consistent investment in attractive sectors and markets

MEZZAN HAS ALREADY STARTED IMPLEMENTING ITS STRATEGY AS DEMONSTRATED BY SEVERAL RECENT INITIATIVES:

- Acquisition of Unitra Mets Group, allowing it to effectively penetrate the attractive UAE market through a dominant brand portfolio and wide coverage of 10,000+ points of sales (January 2014)
- Recent entry into the Saudi market (February 2014)
- Award of a five-year sub-contract with ANHAM FZCO to supply food and beverages, baked goods, fresh foods and vegetables to the US Army in Afghanistan
- Increasing production capacities and scale of chips and snacks in the UAE (2014) and Kuwait (2015), as well as water (December 2014)
- Acquisition of its partners' share in KITCO Group (June 2014)

SUBSIDIARIES

Company	Country of Incorporation	Ownership December 31, 2014	Date of Incorporation	Principal Activity
FOOD				
Kuwait Indo Trading Company WLL[(a)]	Kuwait	99.99%	November 19, 1966	Manufacturing and sale of foodstuff
Al Wazzan Trading and Catering Services Company WLL[(a)]	Kuwait	99.99%	November 21, 1968	Providing catering services and general trading
Al Hoda Kuwaiti Foodstuff Company WLL[(a)]	Kuwait	99.98%	February 8, 1970	Exporting, importing and trading of all kind of foodstuff
Conserved Foodstuff Distribution Company WLL[(a)]	Kuwait	99.99%	July 17, 1979	Manufacturing and wholesale distribution of meat products and general trading in foodstuff
Kuwait Biscuit and Food Products Manufacturing Company WLL[(a)]	Kuwait	99.99%	December 16, 1980	Manufacturing and trading of biscuits and related products Manufacturing and trading of all kinds of foodstuff
National Canned Food Production and Trading Company WLL[(a)]	Kuwait	99.99%	January 8, 1984	Wholesale and retail trade of foodstuff
Jassim Al Wazzan Sons General Trading Company WLL[(a)]	Kuwait	99.99%	November 13, 1989	Manufacturing and sale of pastries and cakes

Company	Country of Incorporation	Ownership December 31, 2014	Date of Incorporation	Principal Activity
Gulf Pastries Manufacturing Company WLL[a]	Kuwait	99.98%	May 22, 1990	Manufacturing and sale of pastries and cakes
Oriental for Catering Services Company WLL [a]	Kuwait	99.98%	November 2, 2002	Exporting, importing and trading of all kind of foodstuff
Arla Food Kuwait WLL	Kuwait	51.00%	January 13, 2007	Importing and trading of all kind of dairy products
Emirates Star Services LLC[a]	UAE	99.00%	September 19, 1995	Providing catering services and running restaurants
UNITRA International LLC[b]	UAE	99.67%	April 1, 2002	Trading of food and beverages
Khazan Meat Factory	UAE	Branch[e]	November 27, 2005	Manufacturing and wholesale distribution of meat products and general trading in foodstuff
Middle East Trading Store LLC[b]	UAE	99.67%	March 18, 2006	Trading of food and beverages
Al Wazzan Foodstuffs Factory LLC[a]	UAE	99.00%	January 18, 2007	Manufacturing and trading of foodstuff
Afia Trading Services	UAE	100.00%	August 12, 2012	Trading in food services and providing related services

Company	Country of Incorporation	Ownership December 31, 2014	Date of Incorporation	Principal Activity
Conserved Foodstuff Distribution Company WLL – Qatar[e]	Qatar	Branch[e]	February 10, 2005	Manufacturing and wholesale distribution of meat products and general trading in foodstuff
Qatar Star Services LLC[c]	Qatar	50.00%	October 20, 2003	Providing catering and cleaning services
Mezzan Saudi Trading Company LLC[c]	Saudi Arabia	100.00%	January 25, 2010	Import and export of wholesale and retail food and consumables
Conserved Foodstuff Distribution Company WLL - Saudi[e]	Saudi Arabia	Branch[e]	October 29, 2012	Manufacturing and wholesale distribution of meat products and general trading in foodstuff
Tazweed Commercial Solutions Company[d]	Jordan	50.00%	September 18, 2013	Providing catering and retail services
NON-FOOD				
Al Mansouria Consumer Trading Company WLL[a]	Kuwait	99.94%	January 9, 1990	Trading of household goods and cleaning materials
Al Sabriya International General Trading Company WLL[a]	Kuwait	99.88%	February 10, 1992	General trading and contracting activities

Company	Country of Incorporation	Ownership December 31, 2014	Date of Incorporation	Principal Activity
Al Muntaser Pharmaceutical Company WLL[(a)]	Kuwait	99.99%	April 21, 2001	Wholesale and retail trade of cosmetics, medicines and other consumer items
Mezzan Industries Company WLL[(a)]	Kuwait	99.98%	October 15, 2008	Manufacturing of paper and nylon products
Kuwait Lube Oil Company KSC	Kuwait	93.66%	March 3, 1981	Recycling and trading of oil, lubricants and related products
Plastics Industries Company KSC	Kuwait	55.58%	February 17, 1981	Manufacturing and trading of household goods
Mezzan Logistics for Transport and Storage Company KSC[(b)]	Kuwait	96.00%	December 28, 2011	Logistics services and storage facilities
Mezzan Jordan Industries Company LLC	Jordan	100.00%	June 21, 2010	Manufacturing, wholesale and retail trade of cosmetics and other consumer items

(a) As of December 31, 2014, Mezzan Holding Company has acquired additional equity interest from related parties. The remaining shares are held by a subsidiary included within the Mezzan Group and therefore the effective holding of the Mezzan Group in these subsidiaries is 100 percent.

(b) The remaining shares are held by subsidiaries included within the Mezzan Group and therefore the effective holding of the Mezzan Group in these subsidiaries is 100 percent.

(c) The remaining shares in these subsidiaries are held by the other partner on behalf of Mezzan Holding Company. Therefore the effective holding of the Mezzan Group in these subsidiaries is 100 percent.

(d) As per the terms of the incorporation, Mezzan Holding Company is entitled to receive 80 percent of share of profit or loss.

(e) 100 percent Branch of Conserved Foodstuff Distribution Company WLL (Kuwait).

MANAGEMENT


JASSIM ALWAZZAN SONS GEN. TRD. CO. W.L.L.
الوزان
ALWAZZAN
خدمة التوصيل مجانا
833 331

BOARD OF DIRECTORS

Under the Kuwaiti Companies Law and Mezzan's Articles of Association, the Board of Directors is responsible for the overall supervision of the management of the Company. As of the date hereof, the Articles of Association currently provide for a Board of Directors consisting of five members. The following table details Mezzan's current Board of Directors and their respective ownership in the Company:

Name	Position	# of Shares	% Owned
Khaled Jassim M. Al Wazzan	Chairman	13,161,019	4.4%
Mohammad Jassim M. Al Wazzan	Vice Chairman - Executive	13,161,019	4.4%
Motasem Jassim M. Al Wazzan	Director	13,161,022	4.4%
Abdulwahab Ahmed Al Marzouq[(a)]	Director	3	0.0%
Jamal Abdulhameed Al Mutawa[(a)]	Director	3	0.0%

(a) Members have the qualification of independent directors pursuant to the requirement of Corporate Governance Rules issued by the Board of Commissioners of the CMA under Decree number 25 of 2013 with respect to the corporate governance rules for companies subject to the supervision of the CMA. These members have not been registered at the MOCI's records as independent directors due to the impossibility of such registration prior to the official listing on the KSE. Accordingly, each of such two members has acquired 3 shares in the Company to comply with board membership requirement pursuant to the Companies Law No. 25 of 2012 and its amendments. Nevertheless, the Board of Directors has approved for such two directors to have full authorities of independent directors with regard to their tasks, authorities and the formation of the internal committees in accordance with the aforementioned Corporate Governance Rules.

KHALED JASSIM MOHAMMAD AL WAZZAN

Chairman

Mr. Khaled Jassim Mohammad Al Wazzan joined the business upon completing his Bachelor of Commerce in Kuwait University and was appointed Chairman of Mezzan Holding's Board in 1989 following the passing of the late Jassim Al Wazzan, and has since led the Company through the difficulties of the 1990 invasion of Kuwait, the reconstruction period that followed the liberation, and through numerous acquisitions since then. Mr. Khaled has a particular interest in the food business, helping direct Mezzan Holding's commodity business in particular. He worked closely with our partners, the Oberoi's, in the development of Mezzan Holding's KITCO brands. He has also served on the Board of Gulf Insurance from 1989 to 2010, Kuwait Ports Authority from 1992 to 1996, Commercial Bank of Kuwait (Vice Chairman) from 1997 to 2000, United Bank of Kuwait in London from 1997 to 2000, Public Authority for Industry in Kuwait from 1997 to 2000, Global Investment House from 1998 to 2010 and National Ranges Company (Chairman) from 2008 to 2010. Mr. Khaled also served as Director on the Board of Kuwait Dairy Company.

MOHAMMAD JASSIM MOHAMMAD AL WAZZAN

Vice Chairman - Executive

Mr. Mohammad Jassim Mohammad Al Wazzan started his career with Gulf Bank in 1981 before joining Mezzan in 1985. During his time with Mezzan Holding, Mr. Mohammad has been responsible for our strategic entry into many areas as well as managing our finance and IT departments. Over the last five years, Mr. Mohammad has been mandated by the Board to drive the strategic changes in the group pursuant to the offering and eventual listing of Mezzan. Mr. Mohammad now serves as Vice Chairman of the Board and an Executive commitioned by the Board to monitor the executive managment with regards to the main course of business. A graduate of the University of Miami, USA, with a Bachelor of Science in Engineering, Mr. Mohammad has previously served on the Boards of the Commercial Bank of Kuwait from 2000 to 2003 and Commercial Real Estate Company from 2004 to 2009.

MOTASEM JASSIM MOHAMMAD AL WAZZAN

Director

Mr. Motasem Jassim Mohammad Al Wazzan has been responsible for Mezzan Holding's FMCG Division encompassing many of Mezzan's larger agencies, such as J&J and RBK, medical business and the pharmacies. These divisions have shown exceptional growth through the years under his leadership and though he no longer manages these divisions, he continues to grown these key relationships personally. He was also the creator of Mezzan's Softy brand and has a close affinity with the brand. Constantly seeking new challenges, he pioneered the Group's entry into Jordan by building the Softy facility in Mafrek, Jordan which is a state-of-the-art-facility. Prior to joining Mezzan, Mr. Motasem worked in Commercial Bank of Kuwait for almost five years.

During his college years, Mr. Motasem ran the Company's then subsidiary specializing in the air-conditioning and fire-fighting equipment business. Mr. Motasem holds a Bachelor of Arts in English Literature and has served on the Boards of Awal Gulf Manufacturing (Bahrain) from 2003 to 2008, National Textiles in 2008, and was also the Vice Chairman of AlMutaja Real Estate Company from 2007 to 2013.

ABDULWAHAB AHMED AL MARZOUQ

Director (Having the qualification of independent directors)

Mr. Abdulwahab Al Marzouq brings to Mezzan a rich board-level experience in manufacturing, construction, retail, real estate, advertising and financial services. Mr. Abdulwahab also built a track-record of working in multi-million dinar businesses throughout his 26-year career and continues to serve on several boards of companies including K4 General Trading & Contracting, since 1989, British Industries, since 1993, and Universe Investments, since 2008. Mr. Abdulwahab also served on the board of Kuwait's Commercial Bank from 1997 to 2000. He holds a Bachelor of Science in Public Administration from Point Park University, Indiana - USA. Mr. Abdulwahab has the qualification of independent directors pursuant to the requirement of Corporate Governance Rules issued by the Board of Commissioners of the CMA under Decree number 25 of 2013 with respect to the corporate governance rules for companies subject to the supervision of the CMA. He has not been registered at the MOCI's records as independent directors due to the impossibility of such registration prior to the official listing on the KSE. Accordingly, he acquired three shares in the Company to comply with board membership requirement pursuant to the Companies Law No. 25 of 2012 and its amendments. Nevertheless, the Board of Directors has approved for Mr. Abdulwahab to have the full authorities of an independent director with regard to his tasks, authorities and the formation of the internal committees in accordance with the aforementioned Corporate Governance Rules.

JAMAL ABDULHAMEED AL MUTAWA

Director (Having the qualification of independent directors)

Mr. Jamal Abdulhameed Al Mutawa has 34 years' experience in financial services and banking, of which 16 years were served in executive and leadership positions. Mr. Jamal's executive and leadership roles at the Commercial Bank of Kuwait were General Manager and Acting Chief Executive Officer between 1999 and 2003 and Chief Executive Officer until the end of his tenure in 2010. Mr. Jamal served as Chairman of Kuwait Credit Bureau (CI-NET), as well as National Ranges Company (Mayadeen) from 2009 to 2012, and Cham Bank from 2010 to 2011. He also served on the Boards of VISA International CEMEA Region in 1995 and 1996 and Al Ahlia Investments from 1997 to 1999. Mr. Jamal brings to Mezzan a long-standing experience in the financial sector. Mr. Jamal holds a Bachelor of Industrial & System Engineering from University of Southern California - USA. Mr. Al Mutawaa has the qualification of independent directors pursuant to the requirement of Corporate Governance Rules issued by the Board of

Commissioners of the CMA under Decree number 25 of 2013 with respect to the corporate governance rules for companies subject to the supervision of the CMA. He has not been registered at the MOCI's records as independent directors due to the impossibility of such registration prior to the official listing on the KSE. Accordingly, he has acquired three shares in the Company to comply with board membership requirement pursuant to the Companies Law No. 25 of 2012 and its amendments. Nevertheless, the Board of Directors has approved for Mr. Al Mutawaa to have the full authorities of an independent director with regard to his tasks, authorities and the formation of the internal committees in accordance with the aforementioned Corporate Governance Rules.

PREVIOUS RESIGNATIONS FROM THE BOARD OF DIRECTORS

Since the inception of Mezzan, no Board of Director resignations have occurred, with the exception of the resignations of Mr. Abdulrahman Jassim Mohammad Ali Al Wazzan and Mr. Muntaser Jassim Mohammad Ali Al Wazzan, which occurred on September 18, 2014. The resignations were voluntary to allow for the election of two directors who have the qualification of being independent members for the Board of Directors in line with the Company's implementation of corporate governance standards.

EXECUTIVE TEAM

The executive officers of Mezzan support the Board of Directors in the management of the Company. Executive officers do not have fixed terms in office. The table sets forth the name and office for each executive officer of Mezzan.

Name	Country of Origin	Position
Garrett Walsh	Ireland	Chief Executive Officer
Munaf Yusuf	United Kingdom	Chief Financial Officer
Ali Abdulrahman Al Wazzan	Kuwait	Executive Director, Investments
Bassem Ederaidy	Canada	Manufacturing Director
Pat Darcy	Ireland	Human Resources Director

GARRETT WALSH

Chief Executive Officer

Mr. Walsh was appointed as the Chief Executive Officer of Mezzan Holding Company KSCC in March 2011. Since then he has worked with the Board to drive the strategic plan in the business through business wins in Afghanistan, Jordan and Iraq, the turnaround of underperforming businesses, the acquisition of Unitra Mets Group, the development of the Company's new structures and the strengthening of the Company's governance and cash focus. A qualified Chartered Accountant, Mr. Walsh has 24 years of experience in various industries. Prior to joining Mezzan, he was Managing Director of Northern Foods Recipe Dish and a member of the Northern Foods PLC (UK) Ops Board. Northern Foods PLC is the UK's largest food manufacturer and the Recipe Dish business is the largest supplier of chilled ready meals to retailers such as Marks and Spencer, J Sainsbury, etc. Mr. Walsh also managed the Northern Foods Frozen business where he introduced programs such as Lean Six Sigma and was responsible for their leading brands such as Goodfella's Pizza, McDougalls Pies and Donegal Catch; all became No. 1 in their category during his tenure. In addition to Northern Foods, Mr. Walsh has worked for Deloitte, DCC PLC, Unigate PLC and Nestle in a variety of leadership, commercial and finance roles. Mr. Walsh holds a diploma in Marketing from the Marketing Institute of Ireland and is a Fellow of the Institute of Chartered Accountants.

MUNAF YUSUF

Chief Financial Officer

Mr. Yusuf joined Mezzan in January 2012 as the Chief Financial Officer. Mr. Yusuf is responsible for the financial well-being of the Company, as well as, leading Mezzan's financial team in its day to day transactions. Mr. Yusuf is a valuable addition to the Mezzan team leveraging his solid background and experience of working in different sectors including; Food and Beverage, Catering, Retail, Automotive, Industrial, Logistics and Services. Prior to joining Mezzan, Mr. Yusuf worked for Brakes Group where he was the Finance Director of UK & Ireland. Brakes Group is the largest food service supply company in the UK. Prior to that, Mr. Yusuf worked for Pilkington PLC, The Vita Group, and Northern Foods PLC. Mr. Yusuf graduated from the University of Wolverhampton and the University of Hogeschool Holland, Amsterdam, holding a BA (Honors) and Dutch HEAO Diploma in European Business Administration.

ALI ABDULRAHMAN AL WAZZAN

Executive Director, Investments

Mr. Al Wazzan joined Mezzan in June 2010 as an Executive Director responsible for acquisitions, disposals and the offering and listing program and working with the CEO on strategic change initiatives. Mr. Al Wazzan represents Mezzan on various Boards, Chairman of Plastics Industries Company KSCC from 2011 to date, Vice Chairman of Kuwait Lube Oil Company from 2010 to date. Mr. Al Wazzan took an important part in restructuring some subsidiaries including Mezzan's water business in Qatar and led the acquisition of Unitra Mets Group and several important transactions for the Group. Mr. Al Wazzan worked for Wedian Real Estate/Amlak Holdings (Family Investment office) and Al Watani Investment Company (NBK Capital) before joining Mezzan Holding Company KSCC. Mr. Al Wazzan holds a Bachelor of Business Administration from the American University of Beirut, and previously served as a non-executive Director of Global Investment House KSCC through its restructuring process from 2010 to 2013.

BASSEM ELDERAIDY

Manufacturing Director

Mr. Elderaidy is an executive with a notable record of results leading operations and projects for multinational manufacturing organizations, providing strategic development and implementation of systems and processes to increase productivity, reduce costs and improve quality, developing key success criteria, and its measurements and deliveries. He has held a number of executive roles with Pepsico International as well as working on a consultancy basis with Americana and Kelloggs. Mr. Elderaidy holds an MSc (Eng) in Integrated Manufacturing and Management Systems from the School of Mechanical and Manufacturing Engineering, the University of Birmingham, UK.

PAT DARCY

Human Resources Director

Mr. Darcy is a chartered Human Resources professional with an MA (HRM). Mr. Darcy's experience spans over 25 years in Human Resources, Operations and Change Management in large multinationals in the European and North American Food and Beverage Sectors. He was HR Director for Northern Foods Frozen business for the UK's largest frozen manufacturer for eight years and HR Director for Monaghan Mushrooms, the world's largest fresh mushroom supplier, for four years. Mr. Darcy has also held senior roles in Glanbia and Diageo. Mr. Darcy holds a BSc (Honors) in Electrical/Electronic Engineering, from Trinity College Dublin. Mr. Darcy is a Certified Auditor in ISO 9002 Quality System, and holds a Diploma in Applied Finance, from the Irish Management Institute. Mr. Darcy has a postgraduate Diploma in Human Resource Management, from the University of Ulster.

REMUNERATION

BOARD OF DIRECTORS

Mezzan paid KWD25,000 as Board of Directors remuneration in 2014 (KWD25,000 in 2013).

The Kuwait Commercial Companies Law requires the remuneration of the Board of Directors to be determined by the General Assembly of Shareholders subject to a cap of ten percent of the Company's net profit after satisfying reserves and provisions and distribution of at least five percent of the Company's net profit to the Shareholders.

EXECUTIVE MANAGEMENT

Executive officers remuneration is periodically reviewed by the Board of Directors to ensure compliance with general market practice in Kuwait. For the year ended December 31, 2014, Mezzan paid key management (which include the Chief Executive Officer and other Senior Officers) aggregate fees of KWD1.7 million (KWD1.7 million in 2013)

FAMILY TIES BETWEEN MANAGEMENT AND BOARD OF DIRECTORS

Khaled Jassim Mohammad Al Wazzan (Chairman), Mohammad Jassim Mohammad Al Wazzan (Vice Chairman - Executive) and Motasem Jassim Mohammad Al Wazzan (Director) are brothers.

Ali Abdulrahman Al Wazzan, Executive Director – Investments and a fulltime employee at Mezzan, is the nephew of Khaled Jassim Mohammad Al Wazzan (Chairman), Mohammad Jassim Mohammad Al Wazzan (Vice Chairman - Executive) and Motasem Jassim Mohammad Al Wazzan (Director).

CORPORATE GOVERNANCE

Mezzan adopts policy, systems and procedures for protection of its business operations and shareholders while balancing and separating powers between executive management which runs the business and the Board of Directors that strategize and oversee performance and plans of the Company.

The key objective of corporate governance rules adopted by Mezzan is to ensure consistency of the business, protection of the shareholders, promoting transparency and credibility, and the ability to tackle and address crises and to promote and enhance management efficiency, secure lower cost operation and financing, promote and reinforce control and audit procedures, promote corporate responsibility, promote fairness and transparency, and eliminate conflict of interest.

In preparation for the listing, Mezzan is one of the very few companies in Kuwait which have taken further steps to adopt the CMA Rules and Regulations of Corporate Governance for Companies under the control of Capital Markets Authority No. (CMA / Q. R/H S/3/2013) before the enforcement date of such rules on June 30, 2016.

The corporate governance rules adopted by Mezzan are based on creating and building balanced structures of its Board of Directors by the appointment of 2 directors having the qualification of independent directors pursuant to the requirement of Corporate Governance Rules issued by the Board of Commissioners of the CMA under Decree number 25 of 2013 with respect to the corporate governance rules for companies subject to the supervision of the CMA. These members have not been registered at the MOCI's records as independent directors due to the impossibility of such registration prior to the official listing on the KSE. Accordingly, each of such two members has acquired three shares in the Company to comply with board membership requirement pursuant to the Companies Law No. 25 of 2012 and its amendments. Nevertheless, the Board of Directors has approved for such two directors to have the full authorities of independent directors with regard to their tasks, authorities and the formation of the internal committees in accordance with the aforementioned Corporate Governance Rules.

On September 18, 2014, the Board formed five internal committees which are:

I. Internal Audit Committee.
II. Risk Management Committee.
III. Nomination Committee.
IV. Remuneration Committee.
V. Corporate Governance Committee.

The Board of Mezzan also approved the rules applicable to each of the five committees. Whereas the majority members of each committee are non-executive and those who are qualified as independent directors.

The purpose of creating the five committees is coordinate with the board of Mezzan in order to review and update tasks, duties and responsibilities of the management, choose competent personnel for Board membership and executive/senior management, ensure fairness of financial reporting, ensure that proper systems for risks management and internal control are in place, promote and enhance professional behavior and ethical values, ensure precise and timely disclosure and transparency, respect shareholders rights, recognize the role of stakeholders, promote and improve performance and ensure proper control requirements.

OVERVIEW OF MEZZAN'S REGULATORS

Mezzan Holding Company is subject to the regulations of Kuwait's Ministry of Commerce and Industry, Kuwait Municipality and the Public Authority for Industry with regard to its various commercial and industrial activities in the State of Kuwait. Upon listing, Mezzan will be subject to the supervision of the CMA in the State of Kuwait. During the Company's Annual General Assembly, the Company appointed Al Aiban, Al Osaimi & Partners (Ernst & Young) as their auditors for the fiscal year ending on December 31, 2014. Ernst & Young's offices are located in Baitak Tower, 18-21st floor, Ahmed Al Jabber Street, P.O. Box 74, Safat 13001 Kuwait.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information regarding the ownership of Mezzan's common shares by each shareholder before and after the Offering.

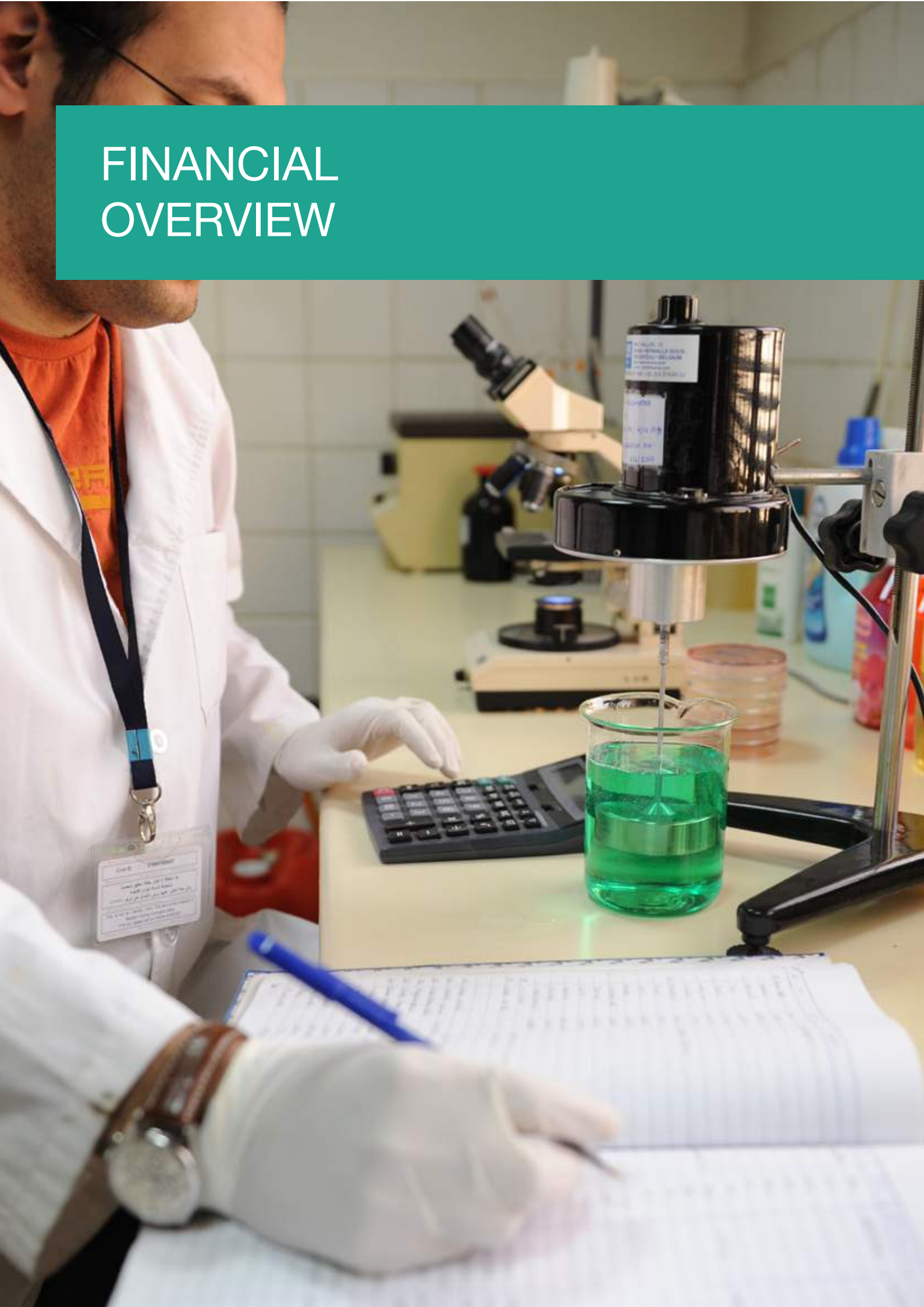
Shareholder	Before Offering		After Offering	
	Number of Shares	% of Total	Number of Shares	% of Total
Al-Wazzan Capital for Sale & Purchase of Shares W.L.L.	187,568,986	63.261%	187,568,986	63.261%
Khaled J. M. Al Wazzan[(a)]	13,161,019	4.439%	119,997	0.040%
Abdulrahman J. M. Al Wazzan	13,161,022	4.439%	120,000	0.040%
Mohammad J. M. Al Wazzan[(b)]	13,161,019	4.439%	119,997	0.040%
Motasem J. M. Al Wazzan[(c)]	13,161,022	4.439%	120,000	0.040%
Montaser J. M. Al Wazzan	13,161,022	4.439%	120,000	0.040%
Nawal J. M. Al Wazzan	9,016,472	3.041%	50,770	0.017%
Khaledah J. M. Al Wazzan	6,580,511	2.219%	60,000	0.020%
Dhiraj K. Uberoi	10,553,214	3.559%	7,387,250	2.491%
Sudheer K. Uberoi	10,553,212	3.559%	7,387,248	2.491%
Kawal K. Uberoi	6,422,495	2.166%	4,495,746	1.516%
Abdulwahab Ahmed Al Marzouq[(c)]	3	0.000%	3	0.000%
Jamal Abdulhameed Al Mutawa[(c)]	3	0.000%	3	0.000%
Subscribers to Offering	-	-	88,950,000	30.000%
Total Issued Shares of Mezzan Holding	**296,500,000**	**100.000%**	**296,500,000**	**100.000%**

(a) Chairman of Mezzan

(b) Vice Chairman of Mezzan - Executive

(c) Member of the Board of Directors of Mezzan

FINANCIAL OVERVIEW



SUMMARY OF FINANCIAL INCOME STATEMENT

Financial statement for the financial year ended December 31, 2014.

KWD	2012	2013	2014
Revenue	139,394,306	142,376,724	182,503,747
Growth %	-	2.1%	28.2%
Cost of sales	(106,892,478)	(111,187,239)	(136,617,348)
Gross profit	**32,501,828**	**31,189,485**	**45,886,399**
GP margin %	23.3%	21.9%	25.1%
Other income	2,093,640	1,068,490	961,392
Selling and distribution costs	(10,670,604)	(11,663,663)	(17,592,945)
General and administrative expenses	(7,981,262)	(7,829,555)	(7,759,607)
EBITDA	**15,943,602**	**12,764,757**	**21,495,239**
EBITDA margin %	11.4%	9.0%	11.8%
Gain on sale/purchase	1,655,532	5,686,875	1,262,683
Depreciation & Amortization	(3,884,628)	(4,194,677)	(4,575,426)
Impairment of property, plant and equip.	(1,130,442)	-	(806,254)
Income from associates	454,569	116,622	54,892
Finance costs	(1,385,529)	(1,066,829)	(1,058,866)
Net profit before tax and other contributions	**11,653,104**	**13,306,748**	**16,372,268**
Net profit before tax and other contributions margin %	8.4%	9.3%	9.0%
Contribution to KFAS	(84,650)	(88,174)	(135,546)
Zakat	(84,398)	(124,734)	(147,377)
Directors remuneration	(325,000)	(25,000)	(25,000)
Net profit for the year	**11,159,056**	**13,068,840**	**16,064,345**
Net profit margin %	8.0%	9.2%	8.8%
Net profit attributable to minority interest	(2,228,187)	(2,635,111)	(1,311,561)
Net profit for the year attributable to shareholders	8,930,869	10,433,729	14,752,784
Earnings Per Share (Fils)	30[(a)]	35[(a)]	50

[(a)] Earnings per share have been restated based on the number of ordinary shares outstanding as of December 31, 2014.

Balance Sheet

KWD	2012	2013	2014
Assets			
Property and equipment	50,944,673	57,633,455	65,348,325
Intangible assets	2,072,534	2,205,073	11,879,790
Investment in associates	5,703,726	944,864	983,559
Investment property	1,587,844	1,565,718	-
Investments available for sale	1,275,000	763,423	763,423
Total non-current assets	61,583,777	63,112,533	78,975,097
Inventories	31,183,935	31,332,050	33,275,002
Trade receivables	38,377,721	37,394,863	41,787,950
Other receivables	3,872,183	6,934,596	4,563,507
Due from related parties	1,192,024	943,006	54,913
Cash and cash equivalents	3,648,727	14,950,567	5,168,163
Total current assets	78,274,590	91,555,082	84,849,535
Total assets	**139,858,367**	**154,667,615**	**163,824,632**
Liabllilities			
Borrowings	1,715,363	11,132,973	6,362,178
Provision for staff indemnity	3,457,047	3,337,128	3,987,982
Due to related parties	2,400,000	-	600,000
Total non-current liabilities	7,572,410	14,470,101	10,950,160
Borrowings	20,256,242	23,676,055	24,587,610
Trade and other payables	21,642,801	22,730,896	33,711,600
Due to related parties	5,506,983	2,740,501	1,423,859
Due to banks	10,703,572	8,817,818	4,492,424
Total current liabilities	58,109,598	57,965,270	64,215,493
Total Liabilities	**65,682,008**	**72,435,371**	**75,165,653**
Equity			
Share capital	19,800,000	19,800,000	29,650,000
Statutory reserve	8,933,515	9,900,000	11,406,071
Voluntary reserve	8,933,515	9,900,000	11,406,071
Fair value reserve	-	-	38,568
Retained earnings	28,426,274	31,327,033	34,179,265
Foreign currency translation adjustment	(266,835)	(179,789)	(161,559)
Minority interest	8,349,890	11,485,000	2,140,563
Total Equity	**74,176,359**	**82,232,244**	**88,658,979**
Total Equity and Liabilities	**139,858,367**	**154,667,615**	**163,824,632**

Statement of Cash Flow

KWD	2012	2013	2014
Operating activities			
Net profit for the year	11,159,056	13,068,840	16,064,345
Adjustments for:			
Depreciation and amortization	3,884,628	4,194,677	4,575,426
Provision for doubtful debts	1,188,344	1,285,085	384,571
Allowance for slow moving inventories	132,389	971,713	(179,525)
Impairment of property, plant and equipment	1,130,442	-	806,254
Foreign exchange (gain)	-	(105,648)	(602,707)
Gain on bargain purchase	-	(2,242,000)	-
Gain on disposal of investment in an associate	-	(1,289,437)	-
Income from associate	(454,569)	(116,622)	(54,892)
Profit on disposal of investment property	-	-	(952,964)
Profit on sale of property, plant and equipment	(1,655,532)	(2,155,438)	(309,719)
Finance cost	1,385,529	1,066,829	1,058,866
Increase in provision for employees' end of service benefits	(792,003)	452,401	932,135
	15,978,284	**15,130,400**	**21,721,790**
Operating profit before changes in working capital			
Inventories	(2,426,198)	(859,320)	437,642
Trade and other receivables	(3,536,578)	(1,503,292)	845,607
Trade and other payables	3,163,985	1,023,746	6,796,509
Net movement in amount due from/to related parties	920,569	(3,700,735)	(759,229)
Staff indemnity paid	(622,596)	(593,382)	(643,057)
Net cash from operating activities	**13,477,466**	**9,497,417**	**27,523,978**
Investing activities			
Purchase of property, plant and equipment	(8,433,128)	(7,589,365)	(10,984,716)
Proceeds from sale of property, plant and equipment	265,798	109,136	474,641
Proceeds from disposal of investment property	-	-	2,500,000
Proceeds from disposal of investmenst in an associate	-	4,501,928	-
Net cash (outflow) inflow on acquisition of subsidiaries	-	37,997	(9,845,372)
Net cash (outflow) on acquisition of shares in subsidiaries	-	-	(648,329)
Decrease/(Increase) in restricted balances with banks	-	(10,479,875)	10,479,875
Purchase of intangible assets	(294,447)	(362,347)	(474,952)
Dividend received from associates	175,488	279,832	54,765
Purchase of investments in association	-	-	-
Net cash used in from investing activities	**(8,286,289)**	**(13,502,694)**	**(8,444,088)**

KWD	2012	2013	2014
Finance activities			
Borrowings	912,730	12,837,423	(4,905,234)
Dividend paid to shareholders	(5,031,912)	(4,680,000)	(5,770,000)
Dividend to minority interest	(1,252,534)	(471,913)	(2,340,684)
Finance costs paid	(1,385,529)	(1,066,829)	(1,058,866)
Net cash from/ (used in) financing activities	**(6,757,245)**	**6,618,681**	**(14,074,784)**
Net increase/ (decrease) in cash and cash equivalents	(1,566,068)	2,613,404	5,005,106
Effect of foreign currency translation	(349,680)	94,315	17,759
Cash and cash equivalents at the beginning of the year	(5,139,097)	(7,054,845)	(4,347,126)
Cash and cash equivalents at the end of the period	**(7,054,845)**	**(4,347,126)**	**675,739**

MANAGEMENT DISCUSSION AND ANALYSIS

The following management's discussion and analysis should be read in conjunction with the "Selected Financial Data" and the consolidated financial statements and related notes thereto that appear elsewhere in this Offering Memorandum. The financial information has been prepared in accordance with the International Financial Reporting Standards.

OVERVIEW

Mezzan Holding Company currently operates through its core subsidiaries and the information discussed in this section is reflective of past consolidated operations of Mezzan Holding Company and its subsidiaries.

This section discussed the trends that occurred during the year ending December 31, 2014 and should be read in conjunction with Mezzan's audited December 31, 2014 consolidated financial statements.

RESULTS OF OPERATION

YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

HIGHLIGHTS

- Revenue KWD182.5 million, up 28.2 percent
- Gross Profit Margin 25.1 percent, improvement of over 320 bps
- EBITDA of KWD21.5 million, up 68.4 percent
- Net Profit KWD16.1 million, up 22.9 percent

REVENUE

During the year ending December 31, 2014, the Mezzan Group recorded total revenues of KWD182.5 million up from KWD142.4 million in 2013, representing a significant 28.2 percent increase for the year.

FOOD

FOOD MANUFACTURING AND DISTRIBUTION DIVISION

Mezzan's Food Manufacturing and Distribution Division's revenue increased by 46.1 percent compared to year ending December 31, 2013, which accounts for 50.6 percent of Mezzan's total Group revenues. The increase in revenue was driven by double-digit revenue growth in all key operating units across all markets and the consolidation of Unitra Mets Group (UMG), acquired in January 2014. Anticipated acquisition synergies have been delivered through rolling out Mezzan's KITCO product lines on UMG existing distribution platform. The monthly KITCO sales in the UAE have increased by c. 50.0 percent following the acquisition of UMG.

CATERING DIVISION

The Catering Division's revenue increased by 10.0 percent compared to 2013, representing 15.1 percent of Mezzan's total revenue in the year ending December 31, 2014. The division has seen strong double-digit growth in Qatar. Kuwait continues to deliver performance in line the expectations, with a strengthening outlook.

SERVICES DIVISION

Revenue in the Services Division, representing 7.3 percent of Mezzan's total revenue, increased by 226.5 percent in the year ending December 31, 2014 compared to 2013. The Company began its long-term food supply and services contract in Afghanistan with ANHAM. Mezzan also gained new business with the UN World Food Programme, through the supply of foodstuffs to refugees in the Middle East. Both ventures will add- further potential to this Division.

NON-FOOD

FMCG DIVISION

Revenue in the FMCG Division, which accounts for 23.5 percent (KWD42.8 million year ending December 31, 2014) of the Group's revenue, has remained flat despite the impact of exiting non-profitable agency contracts. Core partnerships with Reckitt Benckiser, Kimberly Clark and Johnson & Johnson have performed well and in line with expectations.

INDUSTRIAL DIVISION

During the year ending December 31, 2014, the Industrial Division's revenue, declined by 23.0 percent as KLOC continues to be in its rebuilding process. However, the remaining business units in the Division have seen double digit revenue growth. The Divisions revenue accounted for 3.5 percent of the Group's total revenue for the period.

GROSS PROFIT

Gross profit reached KWD45.9 million in the year ending December 31, 2014, compared to KWD31.2 million for the same period in 2013, representing a significant increase of 47.1 percent. Gross profit margins for the period were 25.1 percent compared to 21.9 percent for the similar period in 2013. Improvements in gross margins were driven by focusing on profitable channels and products, lowering input costs, exiting low margin and loss making contracts and driving operational excellence.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION (EBITDA)

As at December 31, 2014, Mezzan recorded EBITDA of KWD21.5 million compared to KWD12.8 million in 2013 for the same period in 2013, corresponding to a 68.4 percent increase. EBITDA margins have improved to 11.8 percent compared to 9.0 percent in 2013. This reflects a clear focus on controlling the cost base of the business as revenue increases.

NET PROFIT

Net income reached KWD16.1 million for the year ending December 31, 2014 compared to KWD13.1 million in 2013, representing a 22.9 percent increase. Net income margin for 2014 was 8.8 percent, compared with 9.2 percent in 2013. In 2013, Mezzan recorded a KWD2.2 million one-off gain relating to the acquisition of Al Wazzan Snack Factory in Sharjah UAE. Net of the one off gain Net Income for 2013 was KWD10.8 million, compared with KWD16.1 million for the same period in 2014.

The profit attributable to the non-controlling interests for the year ended December 31, 2014 was KWD1.31 million, of which KWD1.21 million relates to the four KITCO subsidiaries, which were fully acquired during the year. Following the acquisition of the non-controlling interests, 100 percent of the profit of these subsidiaries will be attributable to the equity holders of the Parent Company.

FINANCIAL CONDITION

Cash flow from operating activities for the year ending December 31, 2014 and 2013 were recorded at KWD27.5 million and KWD9.5 million, respectively. The significant turnaround in the cash flows for the period was attributable to the growth in profitability EBITDA and implementing aggressive working capital measures. As of December 31, 2014, Mezzan's total assets reached KWD163.8 million, a 5.9 percent increase from December 31, 2013. Property, plant and equipment for the period stood at KWD65.3 million, corresponding to 39.9 percent of total assets, while inventories and trade receivables accounted for 20.3 percent and 28.3 percent of total assets, respectively.

Mezzan's operating activities and external funding have enabled the Company to meet its operational needs and fund its expansion plans while maintaining sufficient cash levels

to meet its day-to-day operating expenses. As of December 31, 2014 Mezzan had cash balances totalling KWD5.2 million, compared with KWD15.0 million on December 31, 2013. Amount due from related parties was KWD0.1 million while amounts due to related parties totaled KWD2.0 million in the year ending December 31, 2014. Please refer to the "Related Party" Transactions section on page 99. As of December 31, 2014, Mezzan had shareholders' equity of KWD88.7 million compared to KWD82.2 million at the end of 2013, corresponding to a 7.8 percent increase. Mezzan's net debt stood at KWD30.3 million as of December 31, 2014 compared to KWD28.7 million in December 31, 2013.

Additional debt of KWD10.5 million was obtained during the year to finance Mezzan's acquisition of UMG. Mezzan's total net debt to equity stood at 34.1 percent, as of December 31, 2014 versus 34.9 percent on December 31, 2013 evidencing Mezzan continued commitment to relieve strain on its cash flows by periodically extinguishing its manageable existing debt.

Mezzan is committed to maintaining a level of debt below the covenants set by its lenders. This will be achieved through investing in profitable and cash generative commercial initiatives, continued focus on working capital measures and acquiring assets that generate cash from day one.

As at December 31, 2014, Mezzan recorded equity of non-controlling interest of KWD2.1 million, a considerable decline from KWD11.5 recorded in December 31, 2013 following Mezzan Group's acquisition of the remaining 49.0 percent of four KITCO subsidiaries (explained under the "KITCO acquisition" header section below).

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

REVENUE

As at December 31, 2013, the Mezzan Group recorded total revenues of KWD142.4 million up from KWD139.4 million in 2012, representing a 2.1 percent increase for the period. However, underlying Like for Like[(a)] Revenues increased by 4.7 percent reflecting management's strategy to grow only Core business segments and exiting Non-Core and or loss making Distribution Agencies.

FOOD

FOOD MANUFACTURING AND DISTRIBUTION DIVISION

Mezzan's Food Manufacturing and Distribution Division's revenue, which accounts for 44.4 percent of Mezzan's total revenue, increased by 7.1 percent compared to December 31, 2012. The increase in revenue was driven by increasing visibility and distribution of own branded bottled Water (Dana and Aqua Gulf); winning customers in the newly entered the food services sector through manufacturing high quality, own branded (Khazan) Frozen and Chilled meat products and through the introduction of new products to the market including new KITCO Chips and Snack, Khazan Tomato Paste, PUCK Dairy products, amongst others.

(a) 'Like for Like' = Net of Non-Core Services (KWD3.1 million), Exiting of Loss Making Agencies (KWD0.6 million) and Impact of KLOC fire loss (KWD1.0 million)

CATERING DIVISION

The Catering Division's revenue, which represents 17.6 percent of Mezzan's total revenue in 2013, declined by 4.0 percent compared to 2012. During the year management decided to not renew low margin contracts it previously had with local government bodies in Kuwait and focused its efforts on its operation in Qatar where sales grew by 25.6 percent for the same period. Looking ahead, with a new Catering team in Kuwait, the management is confident in growing the government tender and private catering businesses.

SERVICES DIVISION

Revenue in the Services Division, which accounts for 2.9 percent of Mezzan's total revenue, declined by 30.5 percent compared to 2012. Management has anticipated the decline in servicing US Army contracts within the GCC through gaining a new supply contract in Afghanistan, which came into effect in 2014.

NON-FOOD

FMCG DIVISION

In 2013, the FMCG Division's revenue, which represents 29.2 percent of Mezzan's total revenue, increased by 1.8 percent compared to year ended December 31, 2012. The Division continued to deliver volume growth in both the Consumer (Reckitt Benckiser and Johnson & Johnson branded products) and Medical markets, however the Divisions' overall growth was muted due to management deciding to exit non-profitable agencies and absorbing a Government-led price decrease on Pharmaceutical products. 2013 also saw a revamp of Mezzan's own brand (Softy) consumer product range. The early indications are positive with favourable consumer responses to the new products.

INDUSTRIAL DIVISION

During 2013, the Industrial Division's revenue, which accounts for 5.8 percent of Mezzan's total revenue, dropped by 9.9 percent compared to 2012. The decline in the Division's revenue was due to the shutdown of KLOC's refinery during 2012 following a fire. Excluding the impact of the shutdown in KLOC, the Division's underlying sales grew by 9.3 percent, driven by strong performance in the Division's Plastic business. Mezzan has started the process to rebuild the plant and fit it with new state of the art equipment for the eventual restart of production. Operations of the new plant is set to commence by 2016.

GROSS PROFIT

Gross profit reached KWD31.2 million in 2013 compared to KWD32.5 million in 2012. The core Food and FMCG Divisions gross margins remained healthy; the decline was mainly attributed to the exiting of non-profitable Catering contracts, the KLOC refinery shut down and the anticipated decline in servicing US Army contract.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION (EBITDA)

In 2013, Mezzan recorded EBITDA of KWD12.8 million in 2013 compared to KWD15.9 million in 2012, EBITDA margin for 2013 was 9.0 percent compared to 11.4 percent in 2012.

It is key to note that Mezzan finalised its two-year programme of strengthening the Company's balance sheet through taking a more aggressive stance in provisioning for Inventory and Receivables risks, impact over the two years was KWD4.1 million. This coupled with additional business development expenses of KWD0.5 million relating to the UMG acquisition and start-up of Afia, negatively impacted 2013 EBITDA.

However, the non-recurring negative impacts were offset by recording gains from the purchase and sales of investments and properties totalling KWD5.7 million.

PROVISIONS AND IMPAIRMENT

Allowance for Bad Debts was KWD5.6 million in 2013 compared to KWD6.0 million in 2012. Charge for the year was KWD1.8 million (KWD1.2 million, 2012). Allowance for Obsolete and Slow Moving Stock was KWD2.8 million in 2013 compared to KWD2.2 million. Charge for the year was KWD1.0 million (KWD0.1 million, 2012). The increase in provisions reflects the finalisation of the Balance Sheet Strengthening Programme instigated by the Management in 2012. No impairment of property, plant and equipment was recorded in 2013.

NET PROFIT

Net income reached KWD13.1 million in 2013 compared to KWD11.2 million in 2012, representing a 17.1 percent increase. Net income margin for 2013 was 9.2 percent up from 8.0 percent in 2012.

YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

REVENUE

As at December 31, 2012, Mezzan Holding Company achieved total revenues of KWD139.4 million compared to KWD140.0 million for the same period in 2011. The anticipated decline in servicing the US Army in the GCC, coupled with the loss of revenue to the fire at Kuwait Lube Oil Company, in total (c. KWD8.0 million), contributed to the flat year on year revenue performance.

FOOD

FOOD MANUFACTURING AND DISTRIBUTION DIVISION

In 2012, the Food Manufacturing and Distribution Division accounted for 42.4 percent of Mezzan's total revenue. Core Food businesses in total declined by 0.5 percent over 2011; this excludes the impact of declining revenues related with servicing the US Army in the GCC.

CATERING DIVISION

Revenue from the Catering Division, increased by 7.6 percent compared to the same period in 2011. The increase in the division's revenue was due to strong demand in Qatar, generated by the redevelopment boom and the awarding of the 2022 World Cup.

SERVICES DIVISION

As at December 31, 2012, the Services Division's revenue, which represents 4.2 percent of Mezzan's total revenue, declined by 24.7 percent compared to December 31, 2011. This Division was significantly impacted by anticipated decline of US troops in the GCC post the announcement to withdraw from Iraq by the US Administration.

NON-FOOD

FMCG DIVISION

The FMCG Division's revenue, which represents 29.3 percent of Mezzan's total revenue in 2012, increased by 4.2 percent compared to 2011. New contract wins with the Ministries in relation to the supply of Medicine products and the Johnson & Johnson partnership outperforming the market, contributed to the strong growth in the FMCG Division.

INDUSTRIAL DIVISION

Mezzan's Industrial Division's revenue, which accounted for 5.4 percent of the Company's total revenue as at December 31, 2012, declined by 20.0 percent compared to the same period in 2011. The Division's revenue and performance was heavily impact by the fire at Kuwait Lube Oils Company.

GROSS PROFIT

Gross profit increased to KWD32.5 million in 2012, from KWD31.4 million in 2011, corresponding to an increase of 3.6 percent. Improvement of Mezzan's gross profit margin was mainly attributable to the executive management's efforts to turnaround loss making operations in the UAE and Qatar, investing behind higher margin own branded products, increasing distribution and visibility in core channels and reducing operational costs. The Management initiatives enhanced margins to 23.3 percent in 2012, from 22.4 percent in 2011.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION (EBITDA)

EBITDA was KWD15.9 million in 2012 compared to KWD15.0 million in 2011, representing an increase of 6.6 percent despite being impacted by declining higher margin US Army business and the losses suffered through the closure of Kuwait Lube Oils Company.

PROVISIONS AND IMPAIRMENT

Allowance for Bad Debts was KWD6.0 million in 2012 compared to KWD5.6 million in 2011. Charge for the year was KWD1.2 million (KWD2.4 million in 2011). Allowance for obsolete and slow moving stock was KWD2.2 million in 2012 compared to KWD2.7 million in 2011. Impairment of property, plant and equipment of KWD1.1 million was recorded in 2012 relating to assets destroyed in the fire at Kuwait Lube Oils Company.

NET PROFIT

For the year ended December 31, 2012, the Company recorded KWD11.2 million in net income compared to KWD9.8 million in 2011, corresponding to an increase of 13.6 percent. The increase in net income was delivered through a combination of turning around loss making operations, investing in higher margin own branded products, increasing product distribution and visibility and controlling operating costs.

RECENT MATERIAL DEVELOPMENT SINCE JANUARY 1, 2014

UMG ACQUISITION:

In early 2014, Mezzan had completed the purchase of Unitra International Holding LLC (“Unitra”) and Middle East Trading Store Holdings LLC (“METS”), collectively (“UMG”).

Mezzan will use UMG’s wide spread distribution network of more than 10,000 of the 13,000 points of sales in the UAE (50 percent Dubai, 23 percent Abu Dhabi, 15 percent Al Ain and 12 percent Ras Al Khaima), to roll out Mezzan’s complementary products adding to UMG’s prolific brand porfolio. UMG have already successfuly launched KITCO Stix products in the UAE, with the next phase being the launch of own branded water supplied through one of Mezzan’s subsidiaries.

KITCO ACQUISITION:

In June 2014, Mezzan entered into an agreement with the minority shareholders of the KITCO Group to acquire the remaining shares held by them in the KITCO Group subsidiaries (KITCO, GPM, KBC and Al Wazzan Foodstuff Factory) in a share to asset swap. The acquisition gives Mezzan 100 percent ownership of the KITCO group of companies, which will substantially reduce Mezzan's minority interest charge going forward.

CONTRACT WITH ANHAM:

In 2013, Mezzan, through a fully owned subsidiary, was awarded a five-year contract with Anham (commencing 2014) in Afghanistan to provide food and beverage supplies and services to the coalition forces. The newly obtained contract will enhance Mezzan's services Division's revenue, further diversify Mezzan's offerings, increase margins and deliver a guaranteed long-term business for the Division, should it be renewed.

NEW BUSINESS DEVELOPMENT WITH UNITED NATIONS AND ITS AFFILIATES:

During the last quarter of 2013, Mezzan secured a long-term contract with the UN to set-up a retail outlet in Jordan for the supply of Food products targeted at the refugees. In a 'first of a kind' move, UN management has decided to outsource their Food supply chain to local private provider. On the back of this win, Mezzan has recently been awarded another long-term supply contract with UN. Mezzan management is confident of other opportunities arising out of building a strategic partnership with the UN and its affiliates.

DIVESTMENT OF AWAL GULF:

During 2013, Mezzan Holding Company sold its equity interest (effective interest of 38.8 percent) in Awal Gulf Manufacturing Company W.L.L. ("Awal Gulf") for a total consideration of KWD6.0 million, resulting in a gain on disposal of an investment in an associate of KWD1.3 million.

SALE OF PROPERTY:

During the third quarter of 2014, Mezzan Group has sold a property located in Salwa (Kuwait) with a total area of 3,000 square meters. Profits from the sale are recorded in the audited financial statements of 2014.

CHANGE OF AUDITORS DURING PAST FIVE YEARS:

In 2012, the auditors of Mezzan Holding Company KSCC. were changed to EY Kuwait. Reason for the change was to ensure Mezzan was being audited by a top tier accredited audit firm that would provide the highest levels of governance, audit and controls needed for a large diversified, multi country conglomerate like Mezzan.

The scrutiny provided by EY ensures that Management are operating with the highest levels of integrity for the best interest of the Company and their Shareholders / Stakeholders.

KEY INVESTMENT HIGHLIGHTS

Prior to making an investment decision, prospective Investors should carefully consider all of the information in this Offering Memorandum, including the following investment highlights.

COMPANY HIGHLIGHTS

- **RENOWNED HERITAGE AND CELEBRATED HISTORY**

  Over the period of seven decades, the vision of late Jassim Mohammad Al Wazzan, transformed a small grocery business in Kuwait City into a leading regional conglomerate under the umbrella of Mezzan Holding. Jassim Al Wazzan's initial ventures were amongst the first food distributors and manufacturers in Kuwait and the GCC. Throughout its rich history, Mezzan kept its core focus on foodstuffs and FMCG where it has built in-depth knowledge and expertise under an integrated platform and vast distribution capabilities.

- **LEGACY CONTINUITY**

  With a growing business and family, late Jassim Al Wazzan's second and third generation gradually joined the business adopting the same values that became synonymous with the Mezzan name; know the market and consumer behavior, provide quality products, continuously develop operations and maintain productive partnerships. Under the Mezzan umbrella, the successors seamlessly took over operations and continued enjoying added success, yet, wisely realized the need for future succession planning.

  To ensure legacy continuity, Mezzan's founders took steps to institutionalizing Mezzan, transforming it from a family business to an eventual public organization. Establishing a corporate hierarchy led by a newly appointed management team (CEO from Ireland and CFO from United Kingdom) with vast food and beverage experience, promoted standardized policies, a unified vision, effective oversight of all business divisions and allowed business to continue undisrupted under the same professionalism Mezzan has come to enjoy.

- **HIGH CALIBER MANAGEMENT TEAM**

  With over 116 years of combined management experience, Mezzan is currently lead by a high caliber and committed management team with extensive operational experience in each of the core segments that the Company operates.

Led by its management team, the Company has continuously proven its commitment to achieving its strategic objectives evident in its ever-expanding product portfolio, superior supplier relationships, and growing market reach.

Through maintaining solid operations, continuous innovation as well as development and effectuation of a proven business model, Mezzan's management team has constantly given the Company an edge over competitors and a sustainable market leadership position.

- **INSTITUTIONALIZATION OF MEZZAN**

As part of its efforts to standardize the proven Mezzan business model and reinforce the culture across all segments, the recently appointed management team took necessary steps to (i) improve operating efficiencies, (ii) increase profitability and (iii) establish an immediate growth strategy, in its efforts to cement Mezzan's leading position in the regional consumer goods industry:

(i) Mezzan introduced business enhancing IT infrastructure upgrades including a Systems Applications Product (SAP) in order to audit internal operations and ensure security and data integrity. Mezzan could now accurately process operations, review orders, identify shortcoming, eliminate redundancies and ensure accountability. SAP identified numerous areas for improvement including procurement, inventory management and cost overruns

(ii) Effective management helped create and maintain a superior and coveted brand portfolio, which has proven to be the cornerstone of Mezzan's success. Improving market position and venturing into new lucrative opportunities helped increase profitability at a growth of 22.9 percent to reach KWD16.1 million as at December 31, 2014 compared to 2013 (KWD13.1 million), yielding profit margins of 8.8 percent.

(iii) Mezzan has a clear vision for its future in becoming the region's leading company in its foodstuff and FMCG sector through portfolio and geographic expansion. It has showed great promise while pushing forward with each of its expansion strategies, giving Investors foresight into future aspirations and ample comfort in its achievability.

- **EFFECTUATION OF BUSINESS PLAN**

Recent growth initiatives including the acquisition of Unitra Mets Group in the United Arab Emirates, expansion of its catering business in Kuwait and Qatar, services business in Afghanistan and Jordan are examples of Mezzan's disciplined growth approach and delivery of its promised goals. While the UMG acquisition complements Mezzan's chips and snacks business and its newly commissioned factory in the UAE, its enhanced catering and services business compliments Mezzan's wider food product offerings. These and other growth initiatives are further discussed in the Strategy section of this Offering Memorandum.

- **SUPERIOR BRAND IDENTITY**

  Since its inception, Mezzan has placed strong emphasis on promoting and expanding its in house brands that have flourished to become regional household names in Kuwait and regionally. These include Al Wazzan, KITCO, Khazan, and Softy, with their goods commanding majority shelf space in local co-ops and found in every home.
  In house branded goods have proven to be Mezzan's most profitable products, eliminating franchise, commissions, royalties and import costs and driving higher margins. Mezzan continues to focus its efforts on expanding its in-house brands' product offerings and engaging in new product lines and concepts.

- **LEADING MARKET POSITIONS IN VARIOUS SEGMENTS**

  Many of Mezzan's elite product portfolio of primer brands hold market leadership positions across various industries including Kuwait's number 1 potato chips brand (KITCO), rice (Al Wazzan, Country, and Sun White), canned tuna (Al Wazzan), processed turkey (Khazan), white cheese (Three Cows) and household cleaning products (Dettol and Kleenex). Mezzan's products also enjoy leading product positions in neighboring GCC countries, including Qatar's number 1 bottled water (Dana and Aqua Gulf) and UAE's leading energy drink (Red Bull).

- **DECADES-LONG RELATIONSHIPS WITH GLOBAL PRINCIPALS AND AGENCY BRANDS**

  Mezzan's track-record and focused strategy secured coveted relationships with globally recognized principals in foodstuff and FMCG sectors. Today, Mezzan has distribution rights to more than 270 foodstuff and FMCG brands through 96 agency agreements in Kuwait and the GCC. Mezzan has maintained exclusive agency agreements for decades, including Reckitt Benckiser, Kimberly Clark and Johnson & Johnson for over 30 years, General Mills, Tobasco and GlaxoSmithKline, for more than 20 years with product lines expanded periodically and contacts renewed automatically. Through such agencies Mezzan delivers to its customers many of the staple brands found in every home including Dettol, Bairds, Volvic, Tobaso, Kleenex, Sara Lee amongst many others.

  Mezzan continues to add new principals to its portfolio including Red Bull, Nestle (San Pellegrino and Aqua Panna) in the UAE in 2014 through the acquisition of Unitra Mets Group.

- **VAST DISTRIBUTION CAPABILITIES**

  Mezzan enjoys near-full penetration of Kuwait's consumer market through cooperative supermarkets, hypermarkets, retail outlets, convenience stores and baqalas (small traditional grocery stores primarily located within residential areas). With a total fleet of 881 trucks, lorries or vans and 7,500 employees, Mezzan has superior distribution capabilities to reach its vast distribution network.

  Throughout its long history, Mezzan has maintained strong relationships with the cooperative supermarkets network, with Mezzan products estimated to account for 21 percent of the coop sales in Kuwait. Establishing these relationships has been instrumental to Mezzan's success, ensuring adequate stockpiles and favorable product

placement. Being one of the first market entrants coupled with its rich tradition and service, has allowed Mezzan products to continue commanding superior visibility and market penetration.

The UMG acquisition instantly expanded Mezzan geographic market coverage and distribution capabilities in the UAE, one of the GCC's top retail and consumer markets, through coverage of 10,000 points of sale. Through UMG's fleet of 132 trucks, lorries or vans, 210 sales personnel and 299 employees, Mezzan has superior distribution capabilities to reach its vast distribution network in the UAE, covering cooperative societies, supermarkets, hypermarkets and convenient stores in that country.

- **DIVERSIFIED OPERATIONS, GEOGRAPHICALLY AND ACROSS THE VALUE CHAIN**

  Mezzan operates in seven countries including core markets such as Kuwait, Qatar, UAE, Iraq, KSA, Jordan, and recently Afghanistan. Mezzan's core operations include manufacturing and distribution of foodstuff and FMCG products. It has however recently expanded into high margin businesses within the wider food industry including catering in the UAE and contract services in Afghanistan and Jordan. Mezzan is able to leverage its unique manufacturing capabilities and products to serve these rapidly growing industries. The new segment and its offerings give Mezzan added exposure to a greater client base and added market reach. To date, Mezzan has secured major contracts and sub contracts with high profile clients consisting of the US army, regional hospitals, ministries, corporate and government organizations.

- **CONSUMER SPENDING DRIVEN OPPORTUNITY**

  Mezzan has grown from a local food manufacturer to a regional conglomerate with vast offerings in multiple related industries. With 25,000, SKUs in its portfolio, Mezzan's covers every segment of the consumer staples industry. Mezzan has offering in various other industries including catering, contract services, and packaging, all complementing its food and FMCG business.

  Investing in Mezzan stock poses an opportunity to invest in one of the few Kuwait based companies with pure play operations in the consumer market. Combined, food and FMCG account to 73.0 percent and 23.5 percent of Mezzan's revenue (December 31, 2014). Mezzan's non-core investments (KLOC) accounted for a mere 1.7 percent of total assets.

INDUSTRY HIGHLIGHTS

- **DEFENSIVE AND LUCRATIVE SECTOR**

  Mezzan's core operations are in the foodstuff and FMCG sectors. The food and beverage distribution industry will continue to be defensive and perform at stable levels due to the necessity of the products supplied and inelasticity of demand for such products. In its primary market, food consumption reached KWD720 million in Kuwait,

and is expected to reach KWD750 million by 2014. Food consumption per capita in Kuwait reached KWD222.19 in 2012. Kuwait also benefits from a sophisticated consumer base with high levels of disposable income as well as a large expatriate community, which collectively have been the primary growth drivers of the retail market.

- **FAVORABLE DEMOGRAPHICS**

  Favorable economic data and regional demographics are likely to continue generating added interest in Mezzan's products and new brand offerings. According to the recent statistics published by the International Monetary Fund ("IMF"), the GCC's population increased from 33.3 million in December 2004 to 45.5 million in December 2013, growing at a compounded annual rate of 3.8 percent. Youth and young adults under the age of 30 is the largest demographic in the GCC, accounting for more than 50 percent of the population. The purchasing power, sophisticated taste, product awareness and predominant urban culture of this demographic segment makes it the preferred target segment for most consumer products and services.

- **FAVORABLE ECONOMIC ACTIVITY PER CAPITA INCOME**

  GCC's gross domestic product ("GDP") reached US$2.18 trillion in 2013. Nominal growth stood at 4.2 percent driven by strong growth in the oil sector as demand and price of crude oil increased. Nominal GDP is projected to grow by 4.2 percent in 2014 and 4.4 percent in 2015, reaching US$0.9 trillion and US$1.0 trillion, respectively. With its fast-rising population and increasing per capita spending coupled with the high government spending on projects in preparation for the hosting the Expo 2020 in Dubai and 2022 FIFA World Cup in Qatar, the GCC consumer industry is poised for rapid future growth.

Source: Alpen Capital's GCC Food Sector Research, 2013

KEY RISK FACTORS

Prior to making an investment decision, prospective Investors should carefully consider all of the information in this Offering Memorandum, including the following risk factors. No representation or warranty is being made that the risks highlighted as follows are conclusive and/or exhaustive. Prospective Investors are advised to make an independent evaluation and consult their own professional advisers in considering additional risk factors prior to making an investment decision. The risks identified below as well as additional risks not currently known to Mezzan or Mezzan currently believes are not material or influential, may also adversely affect its business, financial condition and results of operations. The value of the Company or trading price of the Shares relative to its Offering Price could decline due to any of these risk factors or others, and Investors could lose part or all of their investment. An investment in the Shares is only suitable for Investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from such investment.

Based on the annual budget prepared by the Mezzan's executive management, the Company expects, and without any representation or warranty, to achieve earnings per share of 59 Fils per share at the end of 2015 based on 296.5 million shares outstanding. However, there can be no guarantee to achieving this. The annual budget is prepared by the executive management of the Company and relies mainly on major assumptions, which if not achieved, could lead to actual results differing materially from the expectations of the Company's executive management.

RISKS RELATING TO MEZZAN

Mezzan is a holding company with ownership in 29 subsidiaries, through which it undertakes its operations. Mezzan's financial condition and results of operations depend on the performance of its subsidiaries and associated companies. In the section, Mezzan refers to Mezzan Holding Company KSCC and its subsidiaries and associated companies.

- **ABILITY TO EXPAND BUSINESS THROUGH NEW SERVICE LINE AND PRODUCT OFFERINGS AND REGIONAL EXPANSION**

  Mezzan could expand regionally and in select other markets by acquiring companies or operations with established brands and grow them with improved distribution capabilities and proficient management. Mezzan's success in launching and expanding its new product lines depends on market reception, therefore, actual performance may differ from projections. Mezzan's growth will also depend on its ability to penetrate new markets and launch new products. The Company's failure to manage local and regional expansion may have an adverse effect on its growth and profitability.

- **FAILURE TO ADAPT TO CHANGING CUSTOMER PREFERENCES**

  Mezzan places great emphasis with rollout of seasonal new products and flavors to keep up with evolving trends and appeal to public demand. Failure to develop and

expand its brand and product range coupled with the introduction of new flagship concepts to meet consumers' changing tastes and lifestyle requirements could have a material adverse effect on Mezzan's market share, financial position and results of operations.

- **DEPENDENCY ON KEY PERSONNEL**

  Mezzan's success depends to a significant degree on the efforts and abilities of its key personnel, including its Chairman, Vice Chairman, Chief Executive Officer and Chief Financial Officer. As part of its ongoing corporatization and institutionalization efforts, Mezzan has increasingly focused on developing second line managers for various functions. The loss of any present or future senior officer could have a material adverse effect on Mezzan's planned growth strategy and earnings potential. Mezzan's management has been instrumental in growing the business, institutionalizing Mezzan and transforming it from a family business to a regional conglomerate. As part of its ongoing corporatization and institutionalization efforts, Mezzan has increasingly focused on developing second line managers for various functions.

- **DISRUPTION OF OUR SUPPLY OR DISTRIBUTION CHAINS COULD ADVERSELY AFFECT OUR BUSINESS**

  Damage or disruption to our manufacturing or distribution capabilities due to wars, weather, natural disaster, fire, environmental incident, terrorism, pandemic, strikes, the financial or operational instability of key suppliers, distributors, warehousing, and transportation providers, or due to change in legislation or administrative proceedings or government tax or customs, or any other reasons could impair our ability to manufacture or distribute our products. Given the importance of this function to Mezzan, it has recently recruited a Head of Logistics and Head of Supply Chain Management.

- **DEPENDENCY ON SUPPLIERS**

  Mezzan maintains more than a 30-year relationship with most of its key suppliers, allowing it lock up competitive prices and mutually agreed terms across all its businesses. Mezzan's operations may be interrupted or otherwise adversely affected by delays in the supply of raw material or products from third party suppliers, or any change in the terms on which they are available. Similarly, a change in a supplier could interrupt supply continuity or result in additional cost, adversely affecting Mezzan's operations, results of operations and financial condition. Furthermore, Mezzan mitigates single supplier risk by maintaining relationship with at least two suppliers for various products.

- **TERMINATION OF SUPPLIER RELATIONSHIPS AND THIRD PARTY AGREEMENTS**

  Mezzan developed relationships with suppliers, franchisors, licensors, or principal parties. Mezzan's supplier agreements protect its interest by including compensation structure for termination. The loss of these or other material licenses or the failure to renew such licenses on commercially reasonable terms, or at all, could have an adverse effect on Mezzan's business financial condition and results of operations. Notwithstanding the contractual agreement of such relationships, suppliers, franchisers,

licensors, or principal parties may later change their respective distributors or market its products through others if they decide to do so. Mezzan has had long and fruitful relationships with such partners and at the time being, anticipates no changes to its current agreements.

- **TERMINATION OF MATERIAL CONTRACTS**

  Mezzan's operations includes contractual business with long-term agreements with key government, quasi-government or other clients in Kuwait, the United Arab Emirates, Qatar, Jordan, and Afghanistan. Mezzan's ability to generate recurring revenue from its contractual services business, beyond their current terms, depends on the continuation of the contract, failure or inability to renew the contract could result in a material adverse change to the Mezzan profitability and financial condition in the future. Mezzan continuously explores new opportunities to mitigate risk of dependency on material contract.

- **FLUCTUATIONS IN EXCHANGE RATES MAY ADVERSELY AFFECT MEZZAN'S BUSINESS AND RESULTS OF OPERATIONS**

  Mezzan has significant operations in several countries, including Kuwait, the United Arab Emirates, Qatar, Jordan, and Afghanistan. In addition, Mezzan makes purchases and sales in a large number of other countries. Accordingly, some of Mezzan's subsidiaries' sales, expenses, assets and liabilities are in currencies other than the Kuwaiti Dinar (Mezzan's reporting currency) and as such Mezzan's results are subject to exchange rate risks. To the extent that Mezzan incurs expenses in one currency but generates sales in another, any change in the values of those non-KWD currencies relative to the KWD could cause Mezzan's profits to decrease or its products to be less competitive than those of its competitors. To the extent that cash and receivables that are denominated in currencies other than the KWD are greater or less than Mezzan's liabilities denominated in such non-KWD currencies, Mezzan will be exposed to the risk of fluctuations and movements in the foreign exchange markets. This may have an adverse impact on Mezzan's business, financial condition and results of operations. To mitigate such risk, Mezzan's disciplined treasury function hedges against currency and foreign exchange variations.

- **OPERATIONAL RISK**

  Operational risk and losses at the Principal Companies can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example, those of counter-parties or vendors) which may have an impact on the Company's performance.

- **CHANGES IN TAX LAWS AND CUSTOMS IN THE STATE OF KUWAIT OR OTHER COUNTRIES OF OPERATIONS OF MEZZAN OR ITS SUBSIDIARIES COULD ADVERSELY AFFECT MEZZAN'S NET INCOME**

  Changes in the tax laws and customs or tax practice of any of the countries in which Mezzan does significant business, as well as changes in Mezzan's effective tax rate or custom fees for a fiscal year caused by other factors, including changes in the interpretation of tax law by local tax officials, could adversely affect Mezzan's net income.

RISKS RELATING TO THE INDUSTRY AND MARKETS IN WHICH MEZZAN OPERATES

- **RISING FOOD PRICES**

  Commodity prices have been increasing significantly in recent years following a combination of factors that have led to a rise in demand and shortage of supply. With food and beverage products already priced at the premium end of the market, raising prices to meet increasing procurement costs may be challenging for companies and profit margins might be squeezed as a result.

- **THREAT OF SUBSTITUTES**

  Distributors face the risk of market entry by unbranded substitutes from East Asia, which are produced and sold for less, putting a strain on margins and presenting a competitive challenge for local distributors to keep pace. Mezzan invests heavily in its brands to build and retain high customer awareness and loyalty.

- **LOCAL MARKET SATURATION**

  Mezzan has successfully established a regional presence across the vast and growing markets of the GCC. The country's small geographic size and population, coupled with the entry of two major retailers, Carrefour and Lulu Hypermarket, with presence of Geant and The Sultan Center, make it unlikely for Kuwait to sustain more large scale retailers, limiting the number of outlets in which products could be sold.

- **EMERGING MARKETS**

  Mezzan and its subsidiaries activities operate in emerging and developing markets including Kuwait, the United Arab Emirates, Iraq, the Kingdom of Saudi Arabia, Qatar and Afghanistan. For the year ending December 31, 2014, revenues generated from Kuwait represented 67.2 percent Mezzan's total revenue. There can be no assurance that economic conditions in Kuwait will remain robust nor that a significant deterioration in the economic conditions will not affect the financial performance of Mezzan.

  The economy of Kuwait and the other GCC countries are largely driven by revenues from oil exports and as such is exposed to volatility in oil prices. Moreover, while government policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained.

  Mezzan's financial performance can be adversely affected by political, economic and related developments from Kuwait and any other country it operates. Any material unexpected changes in the political, social, economic or other conditions in countries in which Mezzan or any of its subsidiaries or associated companies carry on business may have a material adverse effect on Mezzan's operations, financial condition and results of operations and may adversely affect Mezzan's plans for international expansion and investment.

Emerging and developing markets are generally subject to greater risks than more developed markets, where there is likely to exist greater stability and settled practices in relation to the manner and environment in which businesses operate. Typically, such risks will include, to some extent, political, social and economic risks, all or any one of which can have a material adverse effect on the business and operations of Mezzan. Specific examples of country risk, which may have a material adverse impact on the Company's business, operating results, cash flows and financial condition, may include:

- General country or regional political, social or economic instability;
- Acts of warfare, terrorism or civil unrest;
- Specific government intervention in business operations – e.g. protectionism for, or subsidizing competing businesses; and
- Regulatory, taxation, and legal structure change or change in the practice of any of the foregoing (which may result in difficulties in obtaining new permits and consents for the Company's operations or renewing existing ones).

RISKS RELATED TO THE OFFERING

- **TIMING OF LISTING ON THE KUWAIT STOCK EXCHANGE**

  The Shares are currently not traded or listed on any stock exchange or market. On March 26, 2015, the CMA granted Mezzan a preliminary approval to list its shares on the KSE upon the satisfaction of all Capital Market Authority listing regulations subsequent to the Offering. No assurance can be made that the Capital Market Authority will accept such a listing or that an active market will develop for the shares.

- **THERE HAS BEEN NO PRIOR PUBLIC TRADING MARKET FOR THE SHARES. IF AN ACTIVE TRADING MARKET FOR THE SHARES DOES NOT DEVELOP, INVESTORS MAY HAVE DIFFICULTIES SELLING THEIR ORDINARY SHARES.**

  Currently, there has been no trading market for Mezzan's shares. Mezzan does not know the extent to which investor interest in Mezzan will lead to the development of a trading market or how liquid that market might be, or, if a trading market does develop, whether it will be sustained. If an active and liquid trading market does not develop or is not sustained, Investors may have difficulty trading their Ordinary Shares.

- **EFFECTIVE CONTROL BY THE SELLING SHAREHOLDERS**

  Upon completion of the Offer, Al-Wazzan Capital for Sale & Purchase of Shares W.L.L. , the holding company through which the Al Wazzan family hold their interest in Mezzan, will beneficially own approximately 63.3 percent of Mezzan's shares. Accordingly, the W.L.L. will potentially possess sufficient voting power to have a significant influence on matters requiring Ordinary General Assembly or Extraordinary General Assembly of shareholder, including amendments to the Articles, approval of substantial acquisitions or disposals, share buy-backs or other purchases of ordinary shares or treasury shares, or capital increase.

- **THE SHARES MAY BE SUBJECT TO MARKET PRICE VOLATILITY AND THE MARKET PRICE OF THE SHARES MAY DECLINE DISPROPORTIONATELY TO THE OFFERING PRICE OR PAR VALUE IN RESPONSE TO ADVERSE DEVELOPMENTS THAT ARE UNRELATED TO THE MEZZAN'S OPERATING PERFORMANCE.**

  The Offer Price may not be indicative of the market price for the Shares or the following admission to listing and the market price may not reflect of the par or book value per share. The market price of the Shares may be volatile and subject to wide fluctuations due to speculation or other reasons. The market price of the Shares may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these Risk Factors as well as period-to-period variations in operating results or changes in turnover or profit estimates by Mezzan, industry participants or financial analysts. The price could also be adversely affected by developments unrelated to Mezzan's operating performance such as the operating and share price performance of other companies that Investors may consider comparable to Mezzan, speculation about Mezzan in the press or the investment community, strategic actions by competitors, such as acquisitions and restructurings, and changes in market conditions or the regulatory environment.

- **FUTURE DIVIDENDS BY MEZZAN HOLDING CO.**

  The distribution of cash or stock dividends by Mezzan depends on a number of factors, including the future operational results, profit, financial position, capital requirements and expansion plan, statutory reserve requirements, amount of distributable reserves, available credit of the Company and general economic conditions and other factors that the Directors deem significant from time to time. Mezzan cannot offer guarantees that favorable conditions will occur that allow it to distribute dividends to its Shareholders.

- **POTENTIAL ISSUANCE OF NEW SHARES IN THE FUTURE**

  Mezzan does not currently intend to issue additional shares immediately following the Offering. If and when the Company issues shares pro-rata in the future, if the shareholder does not acquire his/her proportional entitlement of additional new shares, then the percentage holding of a shareholder in Mezzan will be diluted (and, therefore, the economic investment made by the Shareholder may be affected).

- **RETURN ON CAPITAL UPON LIQUIDATION OF THE COMPANY**

  In the event of the Company's liquidation, the return on capital shall be equivalent to the net liquidation proceeds divided by the number of Shares without distinction between the Company's Shares (assuming no future issuance of preferred shares) in the distribution of proceeds resulting from the liquidation of assets and the settlement of all debts and obligations of the Company. Each Share shall have a proportionate share of the liquidation proceeds as per the number of shares issued and outstanding at the time and the amount Company's paid up Capital.

DIVIDENDS AND DIVIDEND POLICY

Mezzan Holding Company has historically declared cash dividends to its respective shareholders. The following table sets out all dividend distributions declared by Mezzan for each of the five years leading up to December 31, 2014.

KWD '000	2010	2011	2012	2013	2014
Cash dividends declared in respect to the year ended December 31	7,215	5,032	5,600	4,850	8,700
Number of shares	198,000,000	198,000,000	198,000,000	198,000,000	296,500,000
Cash dividends declared (Fils per share)	36	25	28	24	29

Holders of the Shares will be entitled to receive any dividends declared and paid on the dividend record dates following the Offering. However, no assurance can be made that such dividends will be declared, as payments and amounts thereof, will depend upon, among other things, the Company's earnings, its financial condition, cash requirements, and such other factors as may be deemed relevant by the Board of Directors and Shareholders from time to time. As of the date hereof, the Company believes all current expansion plans can be funded through cash generated from operations.

Mezzan's future dividend distribution to Shareholders depends on a number of factors, including profitability, liquidity, business environment, the availability of expansion, investment opportunities, reserves available for distribution, plans for capital expenditures and other cash needs. There can be no assurances made by Mezzan on the distribution of Shares, or on the value, in the event that Mezzan distributes dividends. Subject to the above, Mezzan expects to distribute 45% to 55% of the net income of the Mezzan Holding Company in the form of cash dividends to all shareholders in the Company, after consideration by the Board of Directors on the above-mentioned factors and cash requirements with respect to operating expenses, including interest for the next year and capital expenditures and any other needs.

In accordance with Kuwaiti law, declaring the distribution of profits in respect of the preceding financial year will be recommended by the Board of Directors each year for decision or approval by the majority attending Shareholders, or representative of Shareholders, at the Annual General Assembly meeting, which must be held within three months following the end of the preceding fiscal year, that is the calendar year. Annual dividends are calculated and distributed in accordance with the Companies Law in the State of Kuwait.

REAL ESTATE PROPERTIES

Mezzan Holding Company's real estate assets are located in Kuwait, UAE, Saudi Arabia, Qatar and Jordan comprising a total of 45 real estate assets (98 percent are performing assets compared to 2 percent non-performing assets). The Company has recently undergone a real estate valuation exercise performed by independent and certified real estate appraisers. The valuation reports of the properties owned, leasehold (under a system similar to a leasehold) yielded an aggregate range of KWD95 million – KWD101 million as per the independent real estate appraisers. The total operating assets include manufacturing facilities, storage facilities, office space, investment complexes, farms, workers housing, whereas the non-operating assets include land.

SUMMARY OF MEZZAN'S REAL ESTATE HOLDINGS

#	Country	Location	Size (sqm)	Use	Operational (Y/N)
1	Kuwait	Abdaly	163,092	Farm (3)	Y
2	Kuwait	Sulaibiya	56,100	Farm (3)	Y
3	Kuwait	Abdaly	50,000	Land (3)	Y
4	Kuwait	Wafra	32,000	Land (3)	Y
5	Kuwait	West Shuaiba	28,003	Manufacturing Facility (2)	Y
6	Kuwait	West Shuaiba	11,000	Manufacturing Facility (2)	Y
7	Kuwait	Free Trade Zone	10,318	Land for new Head Office (2)	N
8	Kuwait	Ardiya	8,275	Storage (1)	Y
9	Kuwait	Sabhan	7,000	Manufacturing Facility (2)	Y
10	Kuwait	Ardiya	5,138	Storage (1)	Y
11	Kuwait	Shuwaikh Industrial area	5,000	Manufacturing Facility (3)	Y
12	Kuwait	Sabhan	5,000	Manufacturing Facility (2)	Y

#	Country	Location	Size (sqm)	Use	Operational (Y/N)
13	Kuwait	Sabhan	5,000	Manufacturing Facility [2]	Y
14	Kuwait	Mahboula	4,378	Investment Complex [1]	Y
15	Kuwait	Sabhan	4,000	Manufacturing Facility [2]	Y
16	Kuwait	Sabhan	4,000	Manufacturing Facility [2]	Y
17	Kuwait	Sabhan	4,000	Manufacturing Facility [2]	Y
18	Kuwait	Sabhan	4,000	Manufacturing Facility [2]	Y
19	Kuwait	Free Trade Zone	3,314	Export/Import of oils [2]	Y
20	Kuwait	Amghara	3,000	Manufacturing Facility [2]	Y
21	Kuwait	Sabhan	3,000	Manufacturing Facility [2]	Y
22	Kuwait	West Shuaiba	2,835	Industrial Land, plans to expand underway [2]	N
23	Kuwait	Al-Rai - Industrial	2,000	Storage [2]	Y
24	Kuwait	Ardiya	2,000	Storage [1]	Y
25	Kuwait	Sabhan	2,000	Manufacturing Facility [2]	Y
26	Kuwait	Sabhan	2,000	Manufacturing Facility [2]	Y
27	Kuwait	Sabhan	2,000	Manufacturing Facility [2]	Y
28	Kuwait	Sabhan	2,000	Manufacturing Facility [2]	Y
29	Kuwait	Jleeb Shyokh	1,234	Workers Housing [1]	Y

#	Country	Location	Size (sqm)	Use	Operational (Y/N)
30	Kuwait	Jleeb Shyokh	1,000	Workers Housing (1)	Y
31	Kuwait	Shuwaikh Industrial area	1,000	Storage (3)	Y
32	Kuwait	Ardiya	1,000	Storage (1)	Y
33	Kuwait	Ardiya	1,000	Storage (1)	Y
34	Kuwait	Ardiya	1,000	Storage (1)	Y
35	Kuwait	Sabhan	1,000	Manufacturing Facility (2)	Y
36	Kuwait	Sabhan	1,000	Manufacturing Facility (2)	Y
37	UAE	Umm Al Quwain	14,400	Land (1)	Y
38	UAE	Sharjah	11,145	Manufacturing Facility (1)	Y
39	UAE	Dubai - Umm Ramool	7,432	Manufacturing Facility (1)	Y
40	UAE	Umm Al Quwain	7,200	Land (1)	Y
41	UAE	Sharjah	6,761	Manufacturing Facility (1)	Y
42	KSA	Riyadh	29,025	Storage (1)	Y
43	Qatar	Doha	25,751	Manufacturing Facility (4)	Y
44	Qatar	Doha	1,200	Manufacturing Facility (4)	Y
45	Jordan	Mafraq	34,150	Manufacturing Facility (1)	Y

(1) Freehold Property
(2) Leased Property (leasehold) from the Public Authority for Industry – Kuwait
(3) Leased Property (leasehold) from the Ministry of Finance – State Property Administration – Kuwait
(4) Leased Property from the Ministry of Municipality and Urban Planning - Qatar

ARTICLES OF INCORPORATION

Name	Mezzan Holding Company KSCC
Form	Closed Joint-Stock Holding Company
Objectives	1. Ownership of shares in KSC, non-Kuwaiti joint stock companies or W.L.L. Kuwaiti and Non-Kuwaiti companies and participation in establishing, managing and guaranteeing such companies. 2. Lending and guaranteeing companies, which the Company own shares/ units in, provided that the Company own more than 20 percent of units/ shares in such companies. 3. Industrial property rights of patents, industrial trademarks or any other rights related to the same, rental of the same to other company to use it inside or outside Kuwait. 4. Ownership of movables and real estate necessary to proceed with its objects.
The Company shall have the right to do the above objects inside or outside Kuwait as a principal or agent.	
The Company may have interest in or to participate by any means, with entities exercising similar activities or that may assist it in executing its activities in Kuwait or abroad and is entitled to incorporate or participate or purchase these entities.	
Lending and guaranteeing companies which the Company owns shares/units in, provided that the Company owns more than 20 percent of units/shares in such companies.	
Date of incorporation	August 3, 1999
Commercial register number	78031
Commercial License	Issued by the MOCI on October 6, 2011 and expiring on October 5, 2015.
Registered Office	Ardiya, Block 2, Building 264, ground floor + mezzanine floor
Duration	Unlimited term starting from the date of its registration in the commercial register and publication of its official deed in the Official Gazette.

MATERIAL AGENCIES AND DISTRIBUTION AGREEMENTS

The following are the main material agreements entered into by the Company and the Subsidiaries for the purposes of their business.

JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL

- **AGENCY AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND JOHNSON & JOHNSON MIDDLE EAST FZ LLC**

  Jassim Al Wazzan Sons General Trading Company WLL ("JAWS or Distributor") has entered into an agency agreement with Johnson & Johnson Middle East FZ LLC ("J&J or Principal") on 12 April 2012 for the promotion, sale and distribution the Products of J&J in Kuwait (mainly Imodium, Nicorette, Nizoral, Listerine, Tylenol and Regaine).

  Neither party may assign, transfer, charge or deal in any other manner with this Agreement or any of its rights under it, or purport to do any of the same, nor sub-contract any or all of its obligation under the Agreement without the prior written consent of the other party.

  The Agreement is governed by United Kingdom Law and any dispute or disagreement between the parties arising in connection with the Agreement shall be referred to Arbitration under the Rules of Arbitration of the International Chamber of Commerce.

- **AGENCY AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND JOHNSON & JOHNSON MIDDLE EAST INC**

  Jassim Al Wazzan Sons General Trading Company WLL ("JAWS or Distributor") has entered into an agency agreement with Johnson & Johnson Middle East Inc ("J&JME or Principal") on 1 January 2011 for the promotion, sale and distribution the Products of J&J in Kuwait (mainly Johnson's Baby, Johnson's Kids, Johnson's, Johnson's Prickly Heat Powder, Clean & Clear, Neutrogena, Carefree, O.B, Reach and Band Aid). The Agreement will remain in force for a period of five years and can be renewed by written consent of both parties.

  Neither party may assign, transfer, charge or deal in any other manner with this Agreement or any of its rights under it, or purport to do any of the same, nor

sub-contract any or all of its obligation under the Agreement without the prior written consent of the other party.

Either party may terminate this Agreement under certain circumstances.
The Agreement is governed by United Kingdom Law and any dispute or disagreement between the parties arising in connection with the Agreement shall be referred to Arbitration under the Rules of Arbitration of the International Chamber of Commerce.

- **AGENCY AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND MEPHA LTD**

  Al Wazzan Company for Trading and Food Services WLL ("Wazzan Co or Distributor") has entered into a distribution agreement with Mepha LTD ("Mepha or Principal") on September 12, 1991 for the distribution the Products of Mepha in Kuwait, mainly Olfen, Mesporine, and Co-Amox.

  Either party may terminate this Agreement under certain circumstances.

  The Agreement is governed by Swiss law and any disputes arising from this Agreement shall be referred for final settlement to the court having jurisdiction at the place of domicile of MEPHA in the Swiss Canton of Basel land.

- **AGENCY AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND MUNDI PHARAMA**

  Jassim Al Wazzan Sons General Trading Company WLL ("JAWS or Distributor") has entered into an agency agreement with Mundi Pharama ("Mundi or Principal") on October 1, 1988 for the promotion, sale and distribution the Products of Mundi in Kuwait, mainly Betadine.

  Principal reserves the right to terminate this Agreement under certain circumstances. Distributor shall not assign or grant any sub-distributorship or delegate hereunder without the prior written consent of the Principal and only on the terms or conditions of any such consent.

  The Agreement is governed by Laws of Switzerland and any dispute or disagreement between the parties arising in connection with the Agreement shall be referred to Rules of Conciliation and Arbitration of the International Chamber of Commerce.

- **AGENCY AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND RB-SSL-SENTON-LRC-RECKITT & COLMAN**

  Jassim Al Wazzan Sons General Trading Company WLL ("JAWS or Distributor") has entered into an agency agreement with RB-SSL-SENTON-LRC-Reckitt & Colman ("R&C or Principal") on December 26, 1968 for the promotion, sale and distribution the Products of R&C in Kuwait.

  Distributor is not authorized to assign/transfer his obligations under this agreement to third parties unless with a written approval issued by the Principal.

The Agreement is governed by laws of England and any dispute or disagreement between the parties arising in connection with the Agreement shall be referred to the Arbitration in England in accordance with the provision of the Arbitration Act 1950 or any re-enactment or statutory modification thereof for the time being in force.

- **AGENCY AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND UCB FARCHIM S.A**

  Jassim Al Wazzan Sons General Trading Company WLL ("JAWS or Distributor") has entered into an agency agreement with RB-SSL-SENTON-LRC-Reckitt & Colman ("UCB or Principal") on December 31, 1983 for the promotion, sale and distribution the Products of UCB in Kuwait.

  Either party may terminate this Agreement under certain circumstances.
  Neither party may assign or subcontract this agreement in whole or in part without the written consent of the other party, provided however that Principal may assign or subcontract it an affiliate upon written notice to the Distributor.

  In the event of a change in shareholders; the Principal shall as soon as possible be notified of any change or intended change in the ownership of the Distributor or of the transfer of Distributor's entire business to a successor. Changes of the ownership due to succession in the direct line are not considered as a change of the ownership. Principal reserves the right to terminate this Agreement with three months notice at any time, should there be a change in the ownership of the Distributor acting in that regard in good faith, as being likely to be detrimental to its interest.

  The Agreement is subject to Belgian law, excluding the Vienna convention on the international sale of goods dated 11 April 1980 and all disputes arising out of or in connection with the Agreement, if not amicably settled shall be submitted to the Courts of Brussels.

- **EXCLUSIVE DISTRIBUTION AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND ARABIAN MEDICAL PRODUCTS MANUFACTURING CO**

  Jassim Al Wazzan Sons General Trading Company WLL ("JAWS or Distributor") has entered into an agency agreement with Arabian Medical Products Manufacturing Co ("AMP or Principal") on January 1, 1995 for the promotion, sale and distribution the Products of R&C in Kuwait.

  Either party may terminate this Agreement under certain circumstances.
  The Agreement is governed by Kuwaiti Law and any disputes arising under this Agreement shall be finally settled under the rules of the Saudi Arbitration Regulations in Riyadh.

- **DISTRIBUTION AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND ROTTA PHARMA**

  Jassim Al Wazzan Sons General Trading Company WLL ("JAWS or Distributor") has

entered into an agency agreement with Arabian Medical Products Manufacturing Co ("Rotta or Principal") on December 10, 2010 for the promotion, sale and distribution the Products of Rotta in Kuwait, mainly Medaus, Reparil, Agilox, Lagalon, and Uralyt U.

Either party may terminate this Agreement under certain circumstances.
The agreement shall not be assigned or sub-contracted in whole or in part by either party without the other party's prior consent save that Distributor shall at any time be entitled without Principal's consent to assign or sub-contract the whole or any part hereof to anyone or more of its affiliate or to assign this Agreement to a successor of all or a substantial part of its pharmaceutical business.

The Agreement is governed by Swiss law and any disputes arising under this Agreement shall be finally settled by Arbitration according to the International Chamber of Commerce (ICC).

- **DISTRIBUTION AGREEMENT BETWEEN JASSIM AL WAZZAN SONS GENERAL TRADING COMPANY WLL AND ANHAM FZCO**

Jassim Al Wazzan Sons General Trading Company WLL ("JAWS or Vendor") has entered into a Full Line Distribution Agreement with ANHAM FZCO ("ANHAM") on December, 2012 for the supply the local market ready products and fresh fruits and vegetables to ANHAM to provide such products to the US Government Defense Logistics Agency Troop Support (the "Customer") in Afghanistan.

Either party may terminate this Agreement under certain circumstances.
Neither party shall assign or transfer any of its rights or obligations under the Agreement without the consent of the other party, except to a successor in ownership of all or substantially all of the assets of the assigning party.

The Agreement is governed by the laws of Commonwealth of Virginia and any disputes arising under this Agreement shall be finally settled by Arbitration according to the Rules of Arbitration of DIFC.

Under the obligation of the Vendor pursuant to the Agreement, the Vendor has entered into a warehousing contract with ANHAM to maintain and store all products at a VETCOM approved facility within Afghanistan for ANHAM to pick up the products.

AL MANSOURIA CONSUMER TRADING COMPANY WLL

- **AGENCY AND DISTRIBUTION AGREEMENT WITH OLAYAN KIMBERLY-CLARK ARABIA COMPANY**

Al Mansouria Consumer Trading Company WLL ("MCT or Distributor") has entered into an agency agreement with Olayan Kimberly-Clark Arabia Company ("OKCA or Principal") on 17 April 1996 for the distribution of the products of OKCA.

Either party may terminate this Agreement under certain circumstances.

Neither party shall incur liability to the other party for compensation, damages or any other remedy, whether on account of loss by Principal or Distributer of present or prospective profits or present or prospective sales, investments or goodwill, or otherwise solely by reason of termination of the Agreement in accordance with the terms thereof. The parties waived any rights which are or may be granted to them by sovereign entities or political subdivisions in the territory which are not granted to them under the Agreement.

Distributor shall not assign or transfer any right, obligation or interest under this Agreement to any person, firm or corporation without the express prior written consent of Principal which consent shall not be unreasonably withheld.

The Agreement is governed by Kuwait law and any dispute or disagreement between the parties arising in connection with the Agreement shall be referred to Arbitration in Kuwait.

UNITRA INTERNATIONAL LLC

- **NON-EXCLUSIVE DISTRIBUTION AGREEMENT WITH RED BULL FZE**

Unitra International LLC ("Unitra") has entered into a Non-exclusive Distribution Agreement with Red Bull FZE ("Red Bull") on 6 November 2013 for the distribution of the products of Red Bull in the UAE.

Either party may terminate this Agreement under certain circumstances.
Unitra may not assign any rights or duties under the Agreement to a third party and may not employ sub-distributors without the prior explicit written consent of Red Bull.

The Agreement is governed by Swiss Substantive law and any disputes arising under this Agreement shall be finally settled by Arbitration according to the International Chamber of Commerce (ICC) in the Dubai, UAE.

TENDERS

Subsidiaries of the Company have won many tenders with governmental and other entities. Such tenders agreements are ongoing obligations between their parties where the Subsidiaries are required to supply various products to the Ministry of Health, Ministry of Education, Ministry of Defense, Ministry of Social Affairs and Labor, University of Kuwait, General Authority for Applied Education, Kuwait Oil Company and Petrochemical Industries Company.

RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's related parties:

- There are no contracts between the members of the Board of Directors and the issuer or any companies which are subordinate to it.
- Furthermore, there are no contracts in which any member of the Board of Directors of the Issuer has a special interest in and/or effective during the period of publishing the Offering Memorandum.

The following summarizes Mezzan's related party transactions in each respective calendar year:

SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES FOR THE YEAR ENDED DECEMBER 31, 2014 ARE AS FOLLOWS:

Related Party Transactions	Major Shareholders	Associates	Other Related Parties	Total December 31, 2014
Due from Related Party	-	-	54,913	54,913
Due to Related Party	1,311,670	9,392	702,797	2,023,859

KWD	Major Shareholders	Associates	Other Related Parties	Total December 31, 2014	Total December 31, 2013
Sale of goods	43,886	-	42,711	86,597	27,484
Rendering of Services	-	-	114,830	114,830	138,387
Cost of sales	(30,837)	-	-	(30,837)	(21,761)
Other income	-	-	1,535,586	1,535,586	2,340,999
General and administrative expense	-	-	(179,304)	(179,304)	341,769

Other related parties transactions:

i. During the year, the Group sold an investment property with a net carrying value of KWD1.5 million to a related party for consideration of KWD2.5 million resulting in a gain of KWD1.0 million.

ii. During the year, the Parent Company has acquired non-controlling interest in certain subsidiaries from a related party and minority shareholders for a consideration of KWD1.6 million.

iii. During 2013, the Parent Company acquired 51 percent equity interest in Al Wazzan Foodstuff Factory from major shareholders of the Parent Company resulting in a gain on bargain purchase of KWD2.2 million.

SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES AS OF DECEMBER 31, 2013 ARE AS FOLLOWS:

Related Party Transactions	Major Shareholders	Associates	Other Related Parties	Total December 31, 2013
Due from Related Party	-	-	943,006	943,006
Due to Related Party	1,952,094	1,712	786,695	2,740,501

The amounts due from/to related parties are interest free and are receivable/payable on demand.

Other related parties transaction:

i. During the year, the Group sold certain property, plant and equipment with a net carrying value of KWD1 and financial assets available for sale with a carrying value of KWD1.3 million to a related party. The amount due from the related party which arose as a result of the above transaction was settled against the amount due to the related party and shares in an unquoted company amounting to KWD0.8 million.

ii. The Parent Company acquired 51 percent equity interest in Al Wazzan Foodstuff Factory from major shareholders of the Parent Company resulting in a gain on bargain purchase of KWD2.2 million.

SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES AS OF DECEMBER 31, 2012 ARE AS FOLLOWS:

In 2012, due from related parties amounted to KWD1.2 million, whereas due to related parties reached KWD7.9 million. The amounts due from/to related parties are interest free and are receivable/payable on demand.

During 2012, the Group purchased certain investment properties amounting to KWD1.6 million and freehold land and building, classified under property, plant and equipment amounting to KWD8.6 million from a related party. The total consideration of KWD10.2 million was settled by transfer of freehold land and building valued at KWD3.0 million having a net book value of KWD1.4 million and the balance of KWD7.2 million was payable to the related party.

The related party balances and transactions consist of compensation of key management personnel, which includes salaries and other short-term benefits of KWD1.5 million and employees' end of service benefits of KWD0.3 million.

SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES AS OF DECEMBER 31, 2011 ARE AS FOLLOWS:

As at December 31, 2011, all related party transactions are on approximate arms-length terms and approved by the Mezzan's management.

The related party balances and transactions consist of compensation of key management personnel, which includes salaries and other short-term benefits of KWD1.3 million and employees' end of service benefits of KWD0.5 million.


FURY
STALLION
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FURY
MOTOR OIL
ONE U.S. QUART

FOOD SECTOR OVERVIEW

GENERAL HIGHLIGHTS

The Gulf's food industry is experiencing a rapid growth that's fueled by strong and growing economies, a robust spending power in the world's richest oil region, and a population that's growing three times faster than the world's average growth rate. This growth in population combined with a continued rise in per capita income levels, which has grown at CAGR 9.1 percent between 2004 and 2013, not only reinforces the commonly accepted notion that the food industry will always experience growth anywhere in the world (short of a decline in birth rates), but also led analysts to forecast that the food industry in the Gulf region especially will grow at a rate faster than the global growth average. This presents a challenge for governments in this region, and an opportunity for the private sector food companies as food consumption is expected to grow at CAGR 3.1 percent between 2014 and 2017.

A GROWING INDUSTRY

Population growth and per capita income are two key fundamental drivers of the food and consumables industry, and in the Gulf, both drivers are growing at rates higher than the global average, indicating continued long-term growth. However, there are other equally important drivers that are forecasted to further boost the growth of the industry in the Gulf, and these are: the increase of per capita food consumption, the rise of local food production, demand migration from one food category or subcategory to the another, the volatility of some food categories, such as cereals, and the stability of other food categories, such as meats.

Per capita food consumption remains strong within the Gulf countries with plenty of room for growth as it hasn't matured yet to the levels seen in developed countries. The change in demographics that the region is witnessing today, specifically the gradual liberalization of the Gulf's labor markets to attract skilled professionals, the entry of the largest youth population in Gulf's history into the workforce over the next 10 years, and the rise of women in the workforce, are all changes expected to improve per capita food consumption to levels similar to the ones registered in the developed countries. Food consumption can be further boosted with rise in local food manufacturing and food processing in recent years.

Over the last 60 years the region has embarked on a series of fast development and modernization programs. Naturally, this meant that local food production couldn't sustain the spike in demand brought on by these programs, and as a result the region relied heavily on food imports. Today, approximately 70 percent of the Gulf countries' total food demand is supplied by imports. This over dependence on imports, together with rising global food prices, has encouraged GCC governments to undertake several initiatives to enhance food security in the region. GCC governments are now focused on developing long-term relations with food producing nations globally, in addition to investing significantly in developing the regional food manufacturing and processing sectors, all in an effort to gradually emerge as a major food manufacturing, processing and re-export destination. With food security placed high on the GCC's agenda, GCC member

countries have moved to provide prospective producers with direct subsidies, location advantages and duty free access to various markets, in addition to attractive financing options to encourage businesses and spur the growth of food production and agriculture.

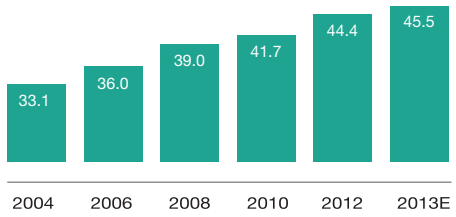
OUTLOOK

The region's food consumption is expected to grow at a CAGR 3.1 percent to reach 49.1 million MT by the end of 2017, led by a fast-growing population that is double the global average and rising affluence levels. With all these factors combined, analysts estimate that per capita food consumption in the Gulf region over the next five years will grow at a CAGR 0.7 percent, which is more than three times faster than the CAGR 0.2 percent seen between (2000–2010), providing an opportunity for food sector players in the Gulf.

GULF POPULATION GROWTH: 3.8%

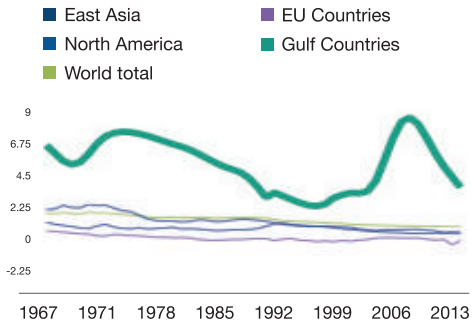
(CAGR between 2004 and 2013E)

Gulf population from 2004 to 2013(E) (Million)



Source: Alpen Capital food sector update 2013

WORLD POPULATION GROWTH BY REGION 1964-2013

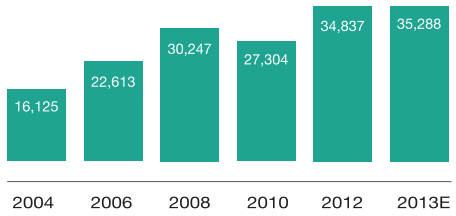


Source: World Bank

GULF PER CAPITAL INCOME GROWTH: 9.1%

(CAGR between 2004 and 2013E)

Gulf Per Capital Income 2004 to 2013(E) (US$)

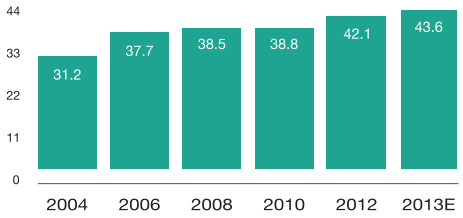


Source: Alpen Capital food sector update 2013

GULF FOOD CONSUMPTION GROWTH 3.6%

(CAGR between 2004 and 2013E)

Gulf Food Consumption growth from 2004 to 2013(E) (Million MT)



Source: Alpen Capital food sector update 2013

ADDITIONAL INFORMATION

CONSULTANTS AGREEMENTS

With the exception of customary consulting services, such as contracts with legal advisers, lead manager and financial advisors appointed for the potential listing, Mezzan or any of its subsidiaries did not enter into any other consulting contracts of substantial/material value.

AUTHORIZED SIGNATORIES

The Board of Directors has the ultimate authority required to manage the Company and execute all the work required to manage the Company within its Articles. This authority is limited only by law, the Company's Articles or the decisions of the Company's General Assembly. The Board of Directors may sell or pledge the Company' real estate, or give guarantees or enter into loans, to the Company's benefit. The CEO is also an authorized signatory in accordance with the powers attributed to him by the Board of Directors.

The Chairman, Vice Chairman, designated members of the board of directors, or any other member authorized by the Board of Directors, are authorized to sign on behalf of the Company on an individual basis.

Mezzan's Board of Directors and the managing officers of its subsidiaries have in the past issued powers of attorney to their employees in order to help facilitate Company operations for the Mezzan Group. Mezzan and its subsidiaries have recently adopted a new policy with regards to issuing powers of attorney, where powers of attorney are now issued to specific employees, for a specific period of time that does not exceed 1 year. The new policy excludes the power of attorney provided to lawyers to represent the Company in a court of law. The new policy was put into effect in order to monitor and update the powers of attorney as necessary and as required. Moreover, the Board of Directors approved of the required signatory guidelines for executing cheques and some other transactions, which require two authorized signatories to grant approval.

SUBSCRIPTION AND ALLOCATION

THE OPPORTUNITY

On behalf of the Shareholders and the Company, NBK Capital is inviting prospective Investors to participate in the Offering. NBK Capital in consultation with the Selling Shareholders may allocate at its discretion, an amount less than the subscription requested (or reject a subscription in its entirety) and return excess funds and payments in Kuwaiti Dinar (and in case of transfers to accounts outside Kuwait in any other currency, the Kuwaiti Dinar amount will be exchanged to such currency in accordance with the exchange rate applicable at the National Bank of Kuwait) without any obligation to apply any pro-rata allocation or any unified allocation rules whatsoever. Excess funds will be refunded the bank account of the subscriber referred to in the subscription form within seven working days from the date of the final allocation.

Each Subscription Application shall be deemed effective when it is accepted by NBK Capital. Subject to the foregoing, the lodging of the Subscription Application will constitute an irrevocable commitment by the investor to purchase and/or subscribe to the number of Shares set forth in the Subscription Application provided that the purchase and/or the subscription price is paid in full.

The Shares will be registered in the Shareholders' Ledger of the Company maintained by Kuwait Clearing Company KSC as soon as practicable in the name of Investors whose subscriptions are accepted and in respect of which the purchase and/or the subscription price has been received in clear funds.

Share certificates will be distributed to their respective rightful owners by or on behalf of the Company as the certificates become available.

TERMS OF SUBSCRIPTION

Subscription	The subscription period will take place for 30 Business Days commencing from April 1, 2015 at the start of the official working hours set for receiving subscribers at the Lead Manager's offices, and subscription will close on May 12, 2015 at 12:00pm. The Lead Manager is entitled to close subscription before the Closing Date in the event that received subscriptions exceed the Offering amount. **If the entire subscription is not fully covered, the Lead Manager may extend this period by similar periods or less, provided that the subscription period does not exceed an aggregate of two months from the date of the CMA approval of listing the Company on the KSE.** In this section, a "Business Day" means a day other than a Friday or a Saturday which is not a public holiday and on which banks are open for general business in Kuwait.

Minimum Subscription	Minimum subscription of 20,000 Shares, for each subscriber such that each subscription shall not be less than KWD14,800
Subscription	All individuals and entities including companies, institutions, banks and funds, unless those prohibited from owning the Shares, of which whom accept the terms of subscription in the Subscription Agreement as well as this Offering Memorandum.
Subscription Application Forms	Subscription Agreement will be constituted by filing subscription applications by the Investors as per the designated application form including the terms and conditions thereof, provided by the Lead Manager or any Placement Agent, which are to be completed in full, written legibly, and duly signed by the applicant and accompanied with all required subscription amount and documentation. Applications by individual investors must be filed during the subscription period, and should be accompanied with a valid original civil ID and copies of the same. Subscription forms of corporate investors or entities must be filed during the subscription period and must be duly signed by authorized representative and stamped. Corporate investors and/or entities must also submit a copy of the document authorizing the representative to sign the Subscription Agreement, as well as a copy of the valid and recent commercial registration certificate, a copy of the valid business license, and a copy the Articles of Association of the corporate investor (including all amendments thereto), certified by the authorized representative to be valid, true and up to date.
Subscription Payment	Payment of Subscription Amount is to be made by bank transfer. Cash and cheques will not be accepted. Subscription Amounts must be received, in Kuwaiti Dinar in full and without any deduction, in the Lead Manager's Kuwaiti Dinar bank account dedicated for this private Offering of Shares. The Subscription Amount must be received in the Subscription Account detailed in the Subscription Form prior to the closing of the subscription period. Any subscription Form received by the Lead Manager that is not matched with the receipt of the Subscription Amount, in full and without any deduction, in the Subscription Account will be rejected.
Allocation of Shares	Shares are allocated to subscribers within a maximum period of 5 Business Days after closing the subscription period. The Lead Manager reserves the right to refuse any subscription request or any part thereof or cancel a subscription in whole or in part, as it deems appropriate and at its absolute and full discretion, and is not constrained by any systematic requirement in the allocation of the Shares. Subscribers

TERMS OF SUBSCRIPTION

	will be notified with regards to their allotted number of Shares and the nominal value assigned to them.
Refund of Subscription Funds	If there is any surplus in the amounts transferred by a subscribers to the Offering following allotment, or if there are any funds to be refunded to subscribers due to rejection of subscription by the Lead Manager, these funds shall be returned to the subscriber's bank account indicated in the Subscription Form in Kuwaiti Dinar (and in case of transfers to accounts outside Kuwait in any other currency, the Kuwaiti Dinar amount will be exchanged to such currency in accordance with the exchange rate applicable at the National Bank of Kuwait) within 7 Business Days of final allotment. Any amount refunded by the Lead Manager to subscribers will not earn any interest, and net of any banking fees and charges. For the avoidance of doubt, the subscriber will not earn any interest and will bear all banking charges relating to transfer of subscription monies back to the subscribers. Furthermore, subscribers will not earn any interest for the period where the subscription amount between the time where their subscription monies are deposited in the Subscription Account and the time any amounts are to be refunded to the subscriber's bank account.
Other Terms of Subscription	All subscriptions are final and may not be canceled or amended for any reason whatsoever, even before the close of the subscription period, nor may a subscriber add any conditions or restrictions to the subscription application. The subscription must be serious, prohibiting subscription using fictitious names or by other fictitious means. Subscriptions must be submitted in accordance to the Offering Memorandum prior to the end of the subscription period. Duplicate applications, incomplete applications and applications in violation with the terms and conditions of the Offering or the law will be excluded, unless they are corrected. In the case of a subscription request through a representative of an eligible individual or entity, in accordance with applicable laws and relevant regulations, the Shares will be assigned and allocated to the subscriber whose name appears on the subscription form. The Lead Manager or any Placement Agent has the right, without the need to inform the subscriber, to refuse any subscription request if it is in violation of the terms and conditions of the Offering, incomplete, or if not accompanied by the Subscription Amount documents specified in the Offering Memorandum or other documents required by the Lead Manager. The Lead Manager will issue a notice to all subscribers informing them on the number of Shares allocated to them and the nominal value. The Clearing Agent will deliver to the subscribers that have paid the full face value of Shares subscribed for within the subscription period, a receipt proving ownership in the number of Shares allocated to such subscribers.

MONEY LAUNDERING

It is a term of the placement that the existing Shareholders and NBK Capital are entitled to require, at their absolute discretion, verification of identity from any prospective investor including, without limitation, any investor who either (i) tenders payment drawn on an account in the name of a person or persons other than the investor or (ii) appears to the Company to be acting on behalf of some other person. Pending the provision of satisfactory evidence to the existing Shareholders and NBK Capital, and the Company as to the identity of the investor and/or any person on whose behalf the investor appears to be acting, NBK Capital and the Company may, at their absolute discretion, retain the Subscription Agreement lodged by an applicant and/or other remittance relating thereto and/or not enter the investor on the register of the shareholders of the Company or issue any certificate in respect of the Shares sold to the investor.

NBK Capital, the Company and the Selling Shareholders reserve the right, at their absolute discretion, to reject any Subscription Agreement in respect of which NBK Capital or the Company considers that, having requested verification of identity, they did not receive satisfactory evidence of such identity by such time as may be specified in the request for verification of identity or, in any event, within a reasonable period of time. In the event of a Subscription Agreement being rejected in any such circumstances, NBK Capital and the Company reserve the right at their absolute discretion, but shall have no obligation, to reject any Subscription Agreement relating thereto (in which event the money payable or paid in respect of the application will be returned(without interest) to the account of the bank from which such sums were originally debited) and/or to endeavor to procure other subscribers for the Shares in question (but in each case without prejudice to any rights NBK Capital and the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by them as a result of the failure to produce satisfactory evidence). Notwithstanding the foregoing, NBK Capital and the Company reserve the right to request at any time prior to and following the sale of the Shares an investor to provide all such information as NBK Capital and the Company may reasonably require to comply with any “know your customer” obligations in any jurisdiction which are binding upon them.

Neither NBK Capital, the Company and the Selling Shareholders nor any third party appointed as receiving agent shall be responsible or liable for any loss or damage (whether actual or alleged) arising from the election by NBK Capital and the Company or any receiving agent to treat a Subscription Agreement lodged by any applicant as invalid or to terminate any such Subscription Agreement as a result of NBK Capital and the Company not having received satisfactory evidence as to the identity of the applicant within a reasonable period of time following the request for verification of identity.

TAXATION

The following summary of material tax consequences for the Shareholders and the Company is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect as at the date of this Offering Memorandum. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to Shareholders. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a Shareholder. Each prospective Shareholder is urged to consult its own tax advisor as to the particular tax consequences to such holder of the ownership and disposition of the Shares, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Offering Memorandum, and of any actual changes in applicable tax laws after such date.

For purposes of this section, the term “corporate entity” includes companies, corporations and partnerships. The term “foreign corporate entity” includes all corporate entities other than corporate entities that are established in one of the Gulf Cooperation Council states (“GCC”) and owned entirely by nationals of any of the GCC states. The GCC states are Kuwait, Saudi Arabia, Qatar and the United Arab Emirates. “Foreign corporate shareholders” are foreign corporate entities that own shares in a Kuwaiti company and include foreign corporate entities that own Shares in the Company. In practice, the Department of Income Tax, Kuwait does not tax corporate entities incorporated in GCC countries and wholly owned by GCC nationals after verification of such condition by the said department.

KUWAITI INCOME TAX

Income tax is levied in Kuwait under Law No. 3 of 1955, as amended, recently by Law No. 2 of 2008 (the “Tax Law”). Law No. 2 of 2008 is generally effective for taxable years commencing after February 3, 2008, the date of publication in the Official Gazette. Law No. 2 of 2008 has been supplemented by regulations issued on July 20, 2008 (the “Regulations”). The Regulations do not contain a separate effective date but it could be assumed that they are effective for taxable years commencing after the publication of the Regulations on July 20, 2008. Both Law No. 2 of 2008 and the Regulations lack in clarity and require further official guidance. The Tax Law generally applies only to foreign corporate entities conducting business in Kuwait.

This amendment reduced the tax on the net taxable profits of foreign companies doing business in Kuwait from 55 percent to 15 percent as part of the governmental efforts aimed at attracting investment from abroad. The amendment also exempted capital gains made by foreign companies from trading in stocks listed on the Kuwait Stock Exchange, whether directly or through mutual funds and portfolios. The new provisions will be applicable for all fiscal years commencing after the promulgation of the law.

THE COMPANY

INCOME TAX: Even though there is no exemption as per the Tax Law, as a matter of practice, the Kuwaiti income tax is not collected from Kuwaiti companies. Therefore, the Company will not be required to pay Kuwaiti income tax on its net profits or otherwise, in its current form or after listing unless the Kuwaiti Department of Income Tax change its practice applicable since 1955.

VALUE ADDED TAX: There is no value added tax in Kuwait.

STAMP DUTY: No stamp, registration or similar duties or taxes are currently payable in Kuwait.

OTHER TAXES: Following taxes are only payable by joint stock companies in Kuwait:

a. Contribution to KFAS:
According to the Amiri Decree dated December 12, 1976, as amended, all joint stock companies are required to pay an annual contribution of 1 percent of net profits (after making deduction for legal reserves) to the Kuwait Foundation for the Advancement of Science.

b. Zakat:
A listed company in Kuwait is required to pay one percent (1 percent) of its net profits as Zakat in accordance with Law No. 46 of 2006 and Ministerial Order No. 58 of 2007.

Following taxes are payable only by listed companies in Kuwait:

c. Kuwait Labor Support Program Tax:
A listed company in Kuwait is required to contribute two and one half percent (2.5 percent) of its net profits to the Kuwait Labor Support Program in accordance with Law No. 19 of 2000.

THE SHAREHOLDERS

INDIVIDUALS SHAREHOLDERS: The Kuwaiti income tax is not levied on individuals.

GCC CORPORATE SHAREHOLDERS: Although not specifically provided for, in practice, no income tax is collected from GCC corporate entities that are wholly owned by GCC nationals after verifcation of such condition by the said department. Nevertheless, the instructions of Kuwait Department of Income Tax indicated that 5 percent of profits to be distributed under invesment portfolios shall be withheld until such ownership by GCC nationals is verified and presenting a certificate indicating being acquitted or not being subject to such taxes.

FOREIGN CORPORATE SHAREHOLDERS: The Kuwaiti Department of Income Tax has been taking the view that foreign corporate entities that own shares in a Kuwaiti company are conducting business in Kuwait and hence are subject to the Kuwaiti income tax. Investors that

are foreign corporate shareholders will thus be subject to Kuwaiti income tax in connection with their ownership of Shares as follows.

Law No. 2 of 2008 reduced the Kuwaiti income tax rate from a marginal 55 percent rate to a flat rate of 15 percent.

In case foreign corporate shareholders hold shares in an unlisted joint stock company or a limited liability company, they are subject to following taxes.

a. Tax on gain on sale of shares
   Gains made on the sale or other dispositions of an unlisted joint stock company or a limited liability company by foreign corporate shareholders are subject to Kuwaiti income tax.

b. Tax on an unlisted joint stock company's and limited liability company's profits allocable to their respective foreign corporate shareholders

   Foreign corporate shareholders are subject to Kuwaiti income tax on their allocable share of a unlisted joint stock company or a limited liability company's profits, whether or not there are any distributions in the form of dividends or otherwise.

TAX ON FOREIGN CORPORATE SHAREHOLDERS OF A COMPANY LISTED ON KSE

a. Tax on gain on sale of shares

   Gain on the sale or other dispositions of the shares of a company listed on the KSE by foreign corporate shareholders are exempt from Kuwaiti income tax by Law No. 2 of 2008 and the Regulations.

b. Tax on dividends or other distributions

   The Regulations contain a provision to the effect that mutual funds, custodians and the like are now required to withhold Kuwaiti income tax from dividends and other distributions paid by Kuwaiti listed companies to foreign corporate shareholders, to pay the withheld tax to the Kuwaiti tax department and to provide to the Kuwaiti Department of Income Tax a list of the names of the foreign corporate shareholders. Therefore, foreign corporate shareholders that directly own shares in Kuwaiti listed companies would be taxed on all distributions.

TAX COMPLIANCE PROCEDURES

A taxpayer is required to submit a tax declaration supported by the audited financial statements and other details normally required by the Department of Income Tax within 105 days of the end of the fiscal year. Tax may be paid in four equal instalments. The tax declaration should, therefore, be supported by the audited financial statements of the Company.

The tax is paid by the tax payer and receipt is issued in the name of the tax payer. If there is a delay in submitting the tax declaration and payment of tax, a penalty of 2 percent of the assessed tax is imposed on the foreign shareholder for each period of thirty days or a fraction thereof for the period of the delay.

Following the submission of the tax declaration, the Department of Income Tax carries out an audit of the taxpayer's accounting records. If the tax declaration includes profits from a Kuwaiti company, the accounting records of that particular Kuwaiti company are also examined.

These audit procedures and requirements for documents in support of costs are very stringent. The Department of Income Tax makes arbitrary disallowance of costs if they are not satisfied that the costs are properly supported or incurred for business purposes in Kuwait.

LEGAL MATTERS

ASAR – Al Ruwayeh & Partners, acting as legal counsel to the Lead Manager, certify that they have reviewed the legal sections in this Offering Memorandum and confirm that the Offering and sale of Shares of Mezzan are in accordance with the laws currently enforceable in the State of Kuwait. ASAR – Al Ruwayeh & Partners further confirm that they are not aware of any legal issues which would prohibit the Offering from proceeding.

LEGAL PROCEEDINGS

As of the date hereof, neither Mezzan nor any of its subsidiaries are or were involved in any legal court or arbitration proceedings which may have or have a significant impact on the Company or any of its subsidiaries financial position. So far as the Directors of the Company are aware, there are no such proceedings pending or threatened against the Company or any of its subsidiaries. The Company and its subsidiaries are involved in a number of normal court litigations as a claimant or defendant. The total value of claimed amount does not exceed KWD766,000.

AVAILABLE INFORMATION

This Offering Memorandum should be read in conjunction with the principal documents, which should be studied in detail by potential Investors. Those concerned may inspect copies of these principal documents at the principal offices of the Company by appointment, during normal business hours at Ardiya, Block 1, Building 287, Kuwait.

The principal documents relevant to the incorporation, establishment of the Company are as follows:

- Articles of Association.
- Minutes of Shareholders Meeting.
- Extracts of Minutes of Board Meetings.
- Audited Financials for the years ended December 31, 2014, 2013, and 2012.
- Trade Licenses.
- Lease contracts.
- List of Agencies and Distributorship Agreements.

State of Kuwait
دولة الكويت
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دينار كويتي
Kuwaiti Dinar
خمسة دنانير
D1016730402

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة ميزان القابضة (ش.م.ك) مقفلة .

رقم القيد في السجل التجاري : ٧٨٠٣١

بموجب مذكرة صادرة من إدارة الشركات المساهمة رقم ٦٢٨ بتاريخ ٢٠١٤/٩/١ بناء على قرار الجمعية العمومية الغير عادية المنعقدة ٢٠١٤/٨/٢٤ تمت الموافق على مايلي :

جرى التأشير بالسجل التجاري بالآتي :-

زيادة رأس مال الشركة من ١٩,٨٠٠,٠٠٠ د.ك (تسعة عشر مليوناً وثمانمائة ألف دينار كويتي) إلى ٢٩,٦٥٠,٠٠٠ د.ك (تسعة وعشرون مليون وستمائة وخمسون ألف دينار كويتي) أي بزيادة قدرها ٩,٨٥٠,٠٠٠ (تسعة ملايين وثمانمائة وخمسون ألف دينار كويتي) أسهم منحة تسدد نقداً بقيمة ١٠٠ فلس للسهم الواحد من حساب الأرباح المحتجزة للسادة المساهمين المسجلين بسجل مساهمي الشركة في تاريخ اليوم السابق على قرار مجلس الإدارة بالموافقة على إصدار أسهم الزيادة، كلٌ حسب نسبة مساهمته في الشركة .

تعديل المادة رقم (٦) من عقد تأسيس الشركة والمادة رقم (٥) من نظامها الأساسي كالتالي:

"حدد رأس مال الشركة بمبلغ ٢٩,٦٥٠,٠٠٠ د.ك (تسعة وعشرون مليون وستمائة وخمسون ألف دينار كويتي) موزع على ٢٩٦,٥٠٠,٠٠٠ سهم (مائتين وستة وتسعون مليوناً وخمسمائة ألف سهم) قيمة كل سهم ١٠٠ فلس وجميع الأسهم نقدية".

١ ٩ ٢٠١٤

"ط"(أ)

مدير إدارة السجل التجاري

CONSOLIDATED FINANCIAL STATEMENTS FOR 2012, 2013 AND 2014.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

CONTENTS

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mezzan Holding Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C. (CLOSED) (continued)

Other matter
The consolidated financial statements of the Group for the year ended 31 December 2011, were audited by another independent auditor who expressed an unmodified opinion on those statements on 6 June 2012.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or the Articles of Association and Memorandum of Incorporation, as amended, have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL-OSAIMI
LICENCE NO. 68-A
ERNST & YOUNG
AL-AIBAN, AL-OSAIMI & PARTNERS

30 April 2013
Kuwait

	Notes	2012 KD	2011 KD
ASSETS			
Non-current assets			
Property, plant and equipment	3	50,949,839	41,596,275
Intangible assets	4	2,067,368	1,951,195
Investment in associates	5	5,703,726	5,378,742
Investment properties	6	1,587,844	-
Financial assets available for sale	7	1,275,000	1,275,000
		61,583,777	50,201,212
Current assets			
Inventories	8	31,183,935	28,890,126
Trade and other receivables	9	42,249,904	39,901,670
Due from related parties	10	1,192,024	2,786,683
Bank balances and cash	11	3,648,727	5,493,494
		78,274,590	77,071,973
TOTAL ASSETS		139,858,367	127,273,185
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	1,715,363	1,689,809
Employees' end of service benefits		3,457,047	5,009,034
Due to related parties	10	2,400,000	-
		7,572,410	6,698,843
Current liabilities			
Loans and borrowings	12	20,256,242	19,369,065
Trade and other payables	13	21,642,801	18,478,817
Due to related parties	10	5,506,983	2,668,278
Bank overdrafts	11	10,703,572	10,632,591
		58,109,598	51,148,751
TOTAL LIABILITIES		65,682,008	57,847,594
NET ASSETS		74,176,359	69,425,591
EQUITY			
Share capital	14	19,800,000	19,800,000
Statutory reserve	14	8,933,515	7,991,023
Voluntary reserve	14	8,933,515	7,991,023
Retained earnings		28,426,274	26,412,301
Foreign currency translation reserve		(266,835)	(146,608)
Equity attributable to equity holders of the Parent Company		65,826,469	62,047,739
Non-controlling interests		8,349,890	7,377,852
TOTAL EQUITY		74,176,359	69,425,591

Certain comparative information relating to 2011 consolidated financial statements has been reclassified to conform to the current year presentation. Please refer to note 23 for details.

Mohammed Jassim Al Wazzan
(Chairman)

Abdulrahman Jassim Al Wazzan
(Vice Chairman)

The attached notes 1 to 23 form part of these consolidated financial statements.

	Notes	2012 KD	2011 KD
Revenue	15	**139,394,306**	140,020,366
Cost of revenue		**(106,892,478)**	(108,638,705)
GROSS PROFIT		**32,501,828**	31,381,661
Share of results of associates	5	**454,569**	481,793
Other income	16	**3,498,148**	2,802,831
Selling and distribution expenses		**(10,670,604)**	(10,061,191)
General and administrative expenses		**(11,865,890)**	(13,447,185)
Impairment of property, plant and equipment	3	**(1,130,442)**	(50,381)
Finance costs		**(1,385,529)**	(1,309,192)
Foreign exchange gain		**251,024**	597,460
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		**11,653,104**	10,395,796
Contribution to KFAS		**(84,650)**	(78,076)
Zakat		**(84,398)**	(118,073)
Board of Directors' remuneration	10	**(325,000)**	(380,345)
PROFIT FOR THE YEAR	17	**11,159,056**	9,819,302
Attributable to:			
Equity holders of the Parent Company		**8,930,869**	8,027,760
Non-controlling interests		**2,228,187**	1,791,542
		11,159,056	9,819,302

Certain comparative information relating to 2011 consolidated financial statements has been reclassified to conform to the current year presentation. Please refer to note 23 for details.

The attached notes 1 to 23 form part of these consolidated financial statements.

	2012 *KD*	*2011* *KD*
Profit for the year	**11,159,056**	9,819,302
Other comprehensive loss:		
Foreign currency translation adjustment	**(123,842)**	(363,826)
Other comprehensive loss	**(123,842)**	(363,826)
Total comprehensive income for the year	**11,035,214**	9,455,476
Attributable to:		
Equity holders of the Parent Company	**8,810,642**	7,663,934
Non-controlling interests	**2,224,572**	1,791,542
	11,035,214	9,455,476

The attached notes 1 to 23 form part of these consolidated financial statements.

	Notes	2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the year		**11,159,056**	9,819,302
Adjustments for:			
Depreciation	3 & 6	**3,687,938**	4,657,567
Amortisation and impairment of intangible assets	4	**196,690**	525,068
Impairment of property, plant and equipment	3	**1,130,442**	50,381
(Reversal of) provision for employees' end of service benefits		**(792,003)**	1,041,387
Allowance for obsolete and slow moving inventories	17	**132,389**	824,343
Allowance for bad and doubtful debts	9	**1,188,344**	2,405,710
Share of results of associates	5	**(454,569)**	(481,793)
Gain on disposal of investment properties		**-**	(820,889)
Gain on disposal of property, plant and equipment	16	**(1,655,532)**	(76,372)
Finance costs	16	**1,385,529**	1,309,192
		15,978,284	19,253,896
Working capital changes:			
Trade and other receivables		**(3,536,578)**	(5,258,162)
Inventories		**(2,426,198)**	(119,646)
Net movement in amount due from / to related parties		**920,569**	1,933,566
Trade and other payables		**3,163,985**	556,712
Cash from operations		**14,100,062**	16,366,366
Employees' end of service benefits paid		**(622,596)**	(430,890)
Net cash from operating activities		**13,477,466**	15,935,476
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(8,438,703)**	(13,138,278)
Proceeds from disposal of property, plant and equipment		**265,798**	908,704
Purchase of intangible assets	4	**(288,872)**	(90,000)
Proceeds from disposal of investment properties		**-**	2,804,082
Purchase of investment in an associate		**-**	(64,680)
Dividend income received from associates		**175,488**	43,812
Net cash used in investing activities		**(8,286,289)**	(9,536,360)
FINANCING ACTIVITIES			
Net movement in loans and borrowings		**912,730**	(907,621)
Dividends paid to equity holders of Parent Company		**(5,031,912)**	(7,215,220)
Dividends paid to non-controlling interests		**(1,252,534)**	(1,178,541)
Finance costs paid		**(1,385,529)**	(1,309,192)
Net cash used in financing activities		**(6,757,245)**	(10,610,574)
Effect of foreign currency translation		**(349,680)**	(234,241)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,566,068)**	(4,211,458)
Cash and cash equivalents at 1 January		**(5,139,097)**	(693,398)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**(7,054,845)**	(5,139,097)

The attached notes 1 to 23 form part of these consolidated financial statements.

	Attributable to equity holders of the Parent Company						*Non-controlling interests*	*Total*
	Share capital KD	*Statutory reserve* KD	*Voluntary reserve* KD	*Retained earnings* KD	*Foreign currency translation reserve* KD	*Sub total* KD	KD	KD
As at 1 January 2011	19,800,000	7,130,598	7,130,598	27,320,611	217,218	61,599,025	6,764,851	68,363,876
Profit for the year	-	-	-	8,027,760	-	8,027,760	1,791,542	9,819,302
Other comprehensive loss	-	-	-	-	(363,826)	(363,826)	-	(363,826)
Total comprehensive income (loss) for the year	-	-	-	8,027,760	(363,826)	7,663,934	1,791,542	9,455,476
Transfer to reserves	-	860,425	860,425	(1,720,850)	-	-	-	-
Dividends	-	-	-	(7,215,220)	-	(7,215,220)	-	(7,215,220)
Dividends to non-controlling interests	-	-	-	-	-	-	(1,178,541)	(1,178,541)
As at 31 December 2011	19,800,000	7,991,023	7,991,023	26,412,301	(146,608)	62,047,739	7,377,852	69,425,591
Profit for the year	-	-	-	8,930,869	-	8,930,869	2,228,187	11,159,056
Other comprehensive loss	-	-	-	-	(120,227)	(120,227)	(3,615)	(123,842)
Total comprehensive income (loss) for the year	-	-	-	8,930,869	(120,227)	8,810,642	2,224,572	11,035,214
Transfer to reserves	-	942,492	942,492	(1,884,984)	-	-	-	-
Dividends (Note 19)	-	-	-	(5,031,912)	-	(5,031,912)	-	(5,031,912)
Dividends to non-controlling interests	-	-	-	-	-	-	(1,252,534)	(1,252,534)
As at 31 December 2012	**19,800,000**	**8,933,515**	**8,933,515**	**28,426,274**	**(266,835)**	**65,826,469**	**8,349,890**	**74,176,359**

The attached notes 1 to 23 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Mezzan Holding Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively the "Group") for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2013 and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend the consolidated financial statements after issuance.

The Parent Company is a closed shareholding company registered and incorporated as a holding company in Kuwait on 3 August 1999. All the activities are carried out in compliance with the memorandum of incorporation and the articles of association. The registered office of the Parent Company is Building number 264, Area number 2, Aradiya, Kuwait. The principal activities of the Group are explained in note 2.4.

The Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the "Decree").

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Ministry of Commerce and Industry by 26 September 2013 will determine the basis and rules which the Parent Company shall adopt to regularise its affairs with the Companies Law as amended.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis.

Functional and presentation currency
The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also functional currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following amended IASB Standard during the year:

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its consolidated financial statements.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2013)
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32: *Financial Instruments: Presentation.* The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRS 9: Financial Instruments: Classification and Measurement (effective 1 January 2015)
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39: Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities.

IFRS 10: Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 12: Disclosure of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013)
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance.

IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected.

IAS 1: Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment) (effective for annual periods beginning on or after 1 July 2012)
The amendments to IAS 1 change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group's financial position or performance.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 28: Investments in Associates and Joint Ventures (Amendment) (effective for annual periods beginning on or after 1 January 2013)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected.

IAS 32: Offsetting Financial Assets and Financial Liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2014)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IAS 1: Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2013)
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16: Property Plant and Equipment (effective for annual periods beginning on or after 1 January 2013)
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32: Financial Instruments, Presentation (effective for annual periods beginning on or after 1 January 2013)
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12: *Income Taxes*.

Additional disclosures will be made in the consolidated financial statements when these Standards become effective.

These improvements are effective for annual periods beginning on or after 1 January 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if it results in a deficit balance.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if it results in a deficit balance.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The subsidiaries of the Group are:

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*		*Principal activity*
		2012	*2011*	
Conserved Foodstuff Distribution Company W.L.L.	Kuwait	**99%**	99%	Manufacturing and whole sale distribution of meat products and general trading in food stuff
Sabriya International W.L.L.	Kuwait	**99%**	99%	General trading and contracting activities
Al Muntaser Pharmaceutical Company W.L.L.	Kuwait	**99%**	99%	Whole sale and retail trade of cosmetics, medicines and other consumer items
Jassim Al Wazzan Sons General Trading Company W.L.L.	Kuwait	**99%**	99%	Whole sale and retail trade of food stuff
Al Hoda Kuwaiti Foodstuff Company W.L.L.	Kuwait	**99%**	99%	Exporting ,importing and trading of all kind of food stuff
Al Mansouria Consumer Trading Company W.L.L.	Kuwait	**99%**	99%	Trading of household goods and cleaning materials
Al Wazzan Trading and Catering Services Company W.L.L.	Kuwait	**99%**	99%	Providing catering services and general trading
National Canned Food Production and Trading Company W.L.L.	Kuwait	**99%**	99%	Manufacturing and trading of all kinds of food stuffs
Oriental for Catering Services Company W.L.L.	Kuwait	**99%**	99%	Exporting ,importing and trading of all kind of food stuff
Mezzan Industries Company W.L.L	Kuwait	**99%**	99%	Manufacturing of Paper and nylon products
Kuwait Lube Oil Company K.S.C. (Closed)	Kuwait	**93.66%**	93.66%	Recycling and trading of oil, lubricants and related products
Arla Food Kuwait W.L.L.	Kuwait	**51%**	51%	Importing and trading of all kind of dairy products
Plastic Industries Company K.S.C. (Closed)	Kuwait	**55.58%**	55.58%	Manufacturing and trading of household goods
Kuwait Biscuit and Food Products Manufacturing Company W.L.L.	Kuwait	**51%**	51%	Manufacturing and trading of biscuits and related products
Gulf Pastries Manufacturing Company W.L.L	Kuwait	**51%**	51%	Manufacturing and sale of pastries and cakes
Kuwait Indo Trading Company W.L.L.	Kuwait	**51%**	51%	Manufacturing and sale of food stuff

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*		*Principal activity*
		2012	*2011*	
Mezzan Logistics for Transport and Storage Company K.S.C. (Closed)*	Kuwait	**100%**	-	Logistics services and storage facilities
Emirates Star Services L.L.C.	U.A.E.	**90%**	90%	Providing catering services and running restaurants
Qatar Star Services L.L.C.	Qatar	**100%**	100%	Providing catering and cleaning services
Mezzan Saudi Trading Company L.L.C.	Saudi Arabia	**100%**	100%	Manufacturing and whole sale distribution of meat products and general trading in food stuff
Softy Industries Company L.L.C.	Jordan	**100%**	100%	Manufacturing, whole sale and retail trade of cosmetics and other consumer items
Afia Trading Services FZE	United Arab Emirates	**100%**	100%	Trading in food services and providing related services

The Parent Company also has branches in Qatar (Conserved Foodstuffs Distributing Company W.L.L. – Qatar branch) and Kingdom of Saudi Arabia (Conserved Foodstuff Distribution Factory Company – KSA branch). In addition, the Group owns a sole proprietorship concern (Khazan Meat Factory) in United Arab Emirates.

* During the year, the Parent Company established a wholly owned subsidiary - Mezzan Logistics for Transport and Storage Company K.S.C. (Closed) in Kuwait.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold and leasehold land and capital work-in-progress are not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	5 to 30 years
Leasehold property and improvements	Up to 30 years
Plant and machinery	3 to 15 years
Computer and office equipment	3 to 8 years
Motor vehicles	5 to 7 years
Furniture and fixtures	3 years
Kitchen and other equipment	3 years

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for the intended use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Goodwill
Accounting policy relating to goodwill is documented in the accounting policy "Business combinations and goodwill".

Key money
Key money represents amounts paid in securing operating leases for the Group's branches. Key money is amortised over a period of 5 years.

License fee
The license is assumed to have an indefinite useful life and is subject to impairment testing on at least an annual basis.

Computer software
Computer software is amortised over a period of 8 years, which is determined to be the expected period of benefit from holding these intangible assets.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, except for reversal of impairment loss recognised for goodwill which is not reversed in a subsequent period, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Investment in associates
The Group's investment in its associates, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown in the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Impairment loss of an associate' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less impairment.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Financial instruments - classification, measurement, recognition, de-recognition and offsetting

Classification
The Group classifies its financial instruments as "financial assets available for sale", "loans and receivables", "loans and borrowings" and "liabilities other than at fair value through profit or loss". Management determines the appropriate classification of each financial instrument at the time of initial recognition.

Recognition and measurement of financial assets and liabilities
The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

All financial assets are initially recognised at fair value plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All financial liabilities are initially measured at fair value of the consideration given plus transaction costs.

Financial assets available for sale
Financial assets available for sale comprise equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

These are financial assets principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. Available for sale investments are initially measured at fair value (transaction price) plus directly attributable transaction costs. After initial recognition, available for sale investments are remeasured at fair value. Unrealised gains and losses on remeasurement to fair value are reported as other comprehensive income and included in the cumulative changes in fair value reserve until the investment is sold or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment, if any.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using effective interest method less any provision for impairment. In the consolidated statement of financial position "trade receivables" are classified as "loan and receivables".

Accounts receivable are stated at original invoice amount less impairment for any uncollectible amounts. An estimate for doubtful debts is made when collection of the part of or full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated statement of income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and measurement of financial assets and liabilities (continued)

Loans and borrowings (continued)

Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'Trade and other payables'.

Financial liabilities other than at fair value through profit and loss

These are financial liabilities other than those designated at fair value through profit and loss. These include trade and other payables.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

Derecognition of financial assets and liabilities

A financial asset (in whole or in part) is derecognised either when: (i) the rights to receive the cash flows from the asset have expired or (ii) the Group has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine, whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. A financial asset or a group of financial assets are impaired if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of income.

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for investments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of financial assets classified as available for sale are recognised in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values
For financial instruments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the reporting date.

For financial instruments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, an earnings multiple, or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Financial instruments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and sbort term deposits which mature within three months from inception, net of outstanding bank overdrafts.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Goods for resale	purchase cost on a weighted average basis.
Raw materials, packing materials and consumables	purchase cost on a weighted average basis.
Finisbed goods and work-in-progress	cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Goods in transit	purchase cost incurred up to the reporting date

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. Tbe entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to social security scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due

Foreign currencies
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of income, all differences are recognised in the consolidated statement of income.

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences arising on translation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services
Revenue from rendering of services is recognised based on percentage of completion of services.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007.

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to the following:

Impairment of trade receivables

An estimate of the collectible amount of trade accounts receivable and retentions is made when collection of the part of or full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments.
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of intangible assets (with indefinite life)

The Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of intangible assets with indefinite lives at 31 December 2012 were KD 2,067,368 (2011: KD 1,951,195). More details are given in Notes 4.

Impairment of equity financial assets available for sale

The Group treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires considerable judgment.

Provision for employees' end of service benefits

During the year, the management of the Group has reviewed the provision for employees' end of service benefits considering the expected pattern of the future obligations. The change in the estimate, if any, is accounted for as a change in accounting estimates in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. The impact of this change is a decrease in provision for employees' end of service benefits charge for the year by KD 1,899,875 and increase in profit for the year by the same amount.

3 PROPERTY, PLANT AND EQUIPMENT

	Freehold land KD	*Leasehold land KD*	*Buildings KD*	*Leasehold property and improvements KD*	*Plant and machinery KD*	*Computer and office equipment KD*	*Motor vehicles KD*	*Furniture and fixtures KD*	*Kitchen and other equipment KD*	*Capital work-in-progress KD*	*Total KD*
Cost:											
As at 1 January 2012	5,355,823	4,053,029	19,017,363	696,441	31,531,468	1,559,463	7,828,298	5,344,234	6,067,102	11,455,014	92,908,235
Additions	5,973,766	175,613	2,741,424	263,780	1,847,495	104,763	681,672	431,977	669,269	2,720,765	15,610,524
Disposals	(1,267,489)	-	(783,374)	-	(144,901)	(2,435)	(363,591)	(155,478)	-	-	(2,717,268)
Transfers	-	-	3,879,494	42,128	223,231	13,129	17,885	151,766	75,381	(4,403,014)	-
Impairment	-	-	(16,850)	(617,373)	(2,068,978)	-	-	(17,524)	-	(7,403)	(2,728,128)
Exchange differences	-	18,315	53,953	6,200	57,572	1,721	11,502	12,653	5,770	56,445	224,131
As at 31 December 2012	**10,062,100**	**4,246,957**	**24,892,010**	**391,176**	**31,445,887**	**1,676,641**	**8,175,766**	**5,767,628**	**6,817,522**	**9,821,807**	**103,297,494**
Depreciation:											
As at 1 January 2012	-	-	11,253,548	118,493	22,290,123	1,209,221	6,499,105	4,487,437	5,454,033	-	51,311,960
Charge for the year	-	-	624,507	32,570	1,269,712	186,315	355,820	627,000	580,045	-	3,675,969
Relating to disposals	-	-	(498,871)	-	(129,332)	(1,600)	(339,348)	(137,851)	-	-	(1,107,002)
Impairment	-	-	(4,749)	-	(1,577,011)	-	-	(15,926)	-	-	(1,597,686)
Exchange differences	-	-	14,447	2,302	27,479	1,122	7,460	8,219	3,385	-	64,414
As at 31 December 2012	**-**	**-**	**11,388,882**	**153,365**	**21,880,971**	**1,395,058**	**6,523,037**	**4,968,879**	**6,037,463**	**-**	**52,347,655**
Net book value											
As at 31 December 2012	**10,062,100**	**4,246,957**	**13,503,128**	**237,811**	**9,564,916**	**281,583**	**1,652,729**	**798,749**	**780,059**	**9,821,807**	**50,949,839**

3 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land KD	*Leasehold land KD*	*Buildings KD*	*Leasehold property and improvements KD*	*Plant and machinery KD*	*Computer and office equipment KD*	*Motor vehicles KD*	*Furniture and fixtures KD*	*Kitchen and other equipment KD*	*Capital work-in-progress KD*	*Total KD*
Cost:											
As at 1 January 2011	6,164,016	4,057,461	17,324,476	42,422	29,520,904	1,190,976	7,882,317	5,014,933	5,913,128	5,924,187	83,034,820
Additions	-	-	249,840	431,736	1,918,050	407,523	765,250	382,981	85,431	8,897,467	13,138,278
Disposals	(808,193)	-	-	-	(21,326)	-	(756,774)	(113,312)	-	-	(1,699,605)
Transfers	-	-	1,447,731	251,247	179,977	14,760	-	244,850	99,774	(2,238,339)	-
Transfer to intangible assets (Note 4)	-	-	-	-	-	-	-	-	-	(1,143,325)	(1,143,325)
Impairment	-	-	-	(35,497)	(55,378)	(53,333)	(59,347)	(184,286)	(31,439)	-	(419,280)
Exchange differences	-	(4,432)	(4,684)	6,533	(10,759)	(463)	(3,148)	(932)	208	15,024	(2,653)
As at 31 December 2011	5,355,823	4,053,029	19,017,363	696,441	31,531,468	1,559,463	7,828,298	5,344,234	6,067,102	11,455,014	92,908,235
Depreciation:											
As at 1 January 2011	-	-	10,677,749	38,195	20,928,758	1,104,367	6,469,662	4,116,736	4,557,621	-	47,893,088
Charge for the year	-	-	576,018	115,065	1,381,550	158,461	777,587	649,201	999,685	-	4,657,567
Relating to disposals	-	-	-	-	(19,599)	-	(680,835)	(95,729)	(71,110)	-	(867,273)
Impairment	-	-	-	(35,497)	-	(53,132)	(66,305)	(182,526)	(31,439)	-	(368,899)
Exchange differences	-	-	(219)	730	(586)	(475)	(1,004)	(245)	(724)	-	(2,523)
As at 31 December 2011	-	-	11,253,548	118,493	22,290,123	1,209,221	6,499,105	4,487,437	5,454,033	-	51,311,960
Net book value											
As at 31 December 2011	5,355,823	4,053,029	7,763,815	577,948	9,241,345	350,242	1,329,193	856,797	613,069	11,455,014	41,596,275

3 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year has been allocated in the consolidated statement of income as follows:

	2012 *KD*	*2011* *KD*
Cost of sales	**1,899,529**	1,648,855
Selling and distribution expenses	**169,715**	171,171
General and administrative expenses	**1,583,312**	2,837,541
Included in consolidated statement of income	**3,652,556**	4,657,567
Included in value of finished goods	**23,413**	-
	3,675,969	4,657,567

Capital work-in-progress comprises the cost of assets acquired and under construction that are not available for use at the reporting date.

Building and leasehold property and improvements are constructed on land leased from the Government of Kuwait for a periods ranging from 1 to 20 years and the leases are renewable upon the expiry of the leases. The management expects these leases to be renewed indefinitely and therefore, the cost of the acquisition of such leases amounting to KD 4,246,957 (2011: KD 4,053,029) is not depreciated.

Property, plant and equipment with a net book value of KD 6,245,644 (2011: KD 1,757,816) are secured against the loans and borrowings granted to the Group (Note 12).

During the year, the Group purchased certain freehold land and building with a fair value of KD 8,600,000 from a related party. In addition, the Group sold certain freehold land and building with a net book value of KD 1,370,806 to the related party for KD 3,000,000. As a result of this transaction, the Parent Company realised a gain of KD 1,629,194 (Note 10).

In accordance with International Accounting Standard ("IAS") 16: Property, plant and equipment, the management of the Parent Company has reviewed the useful lives of the property, plant and equipment considering the expected pattern of consumption of the future economic benefits embodied in the assets. The change in the useful lives, if any, is accounted for as a change in accounting estimates in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives of buildings was changed from 20 years to 5 to 30 years, leasehold property and improvements from 20 years to a maximum of 30 years, plant and machinery was changed from 10 years to 3 to 15 years, computer and office equipment was changed from 3 years to 3 to 8 years and motor vehicles was changed from 3 years to 5 to 7 years. The impact on depreciation as a result of this change is a decrease in depreciation charge for the year by KD 652,863 and increase in profit for the year by the same amount.

	Goodwill KD	*Key money KD*	*License fee KD*	*Computer software KD*	*Total KD*
Cost:					
As at 1 January 2012	602,122	258,000	670,913	1,143,325	2,674,360
Additions	-	-	230,000	58,872	288,872
Disposals	-	-	(25,913)	-	(25,913)
Foreign currency adjustment	23,991	-	-	-	23,991
As at 31 December 2012	**626,113**	**258,000**	**875,000**	**1,202,197**	**2,961,310**
Amortisation:					
As at 1 January 2012	-	147,890	262,996	312,279	723,165
Charge for the year	-	52,041	-	119,149	171,190
Impairment	-	-	25,500	-	25,500
Relating to disposals	-	-	(25,913)	-	(25,913)
As at 31 December 2012	-	**199,931**	**262,583**	**431,428**	**893,942**
Net carrying amount **As at 31 December 2012**	**626,113**	**58,069**	**612,417**	**770,769**	**2,067,368**

	Goodwill KD	*Key money KD*	*License fee KD*	*Computer software KD*	*Total KD*
Cost:					
As at 1 January 2011	602,122	223,000	615,913	-	1,441,035
Additions	-	35,000	55,000	-	90,000
Transfer from property, plant and equipment (Note 3)	-	-	-	1,143,325	1,143,325
As at 31 December 2011	602,122	258,000	670,913	1,143,325	2,674,360
Amortisation:					
As at 1 January 2011	-	96,186	101,911	-	198,097
Charge for the year	-	51,704	161,085	312,279	525,068
As at 31 December 2011	-	147,890	262,996	312,279	723,165
Net carrying amount: As at 31 December 2011	602,122	110,110	407,917	831,046	1,951,195

Amortisation charge for the year is included under general and administrative expenses.

In accordance with IAS 38: Intangible assets, the management of the Parent Company has reviewed the useful lives of the intangible assets considering the expected pattern of consumption of the future economic benefits embodied in the assets. The change in the useful lives, if any, is accounted for as a change in accounting estimates in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. The estimated useful lives of license fee was changed from 5 years to indefinite useful life and computer software from 5 years to 8 years. The impact on amortisation as a result of this change is a decrease in amortisation charge for the year by KD 256,466 and increase in profit for the year by the same amount.

4 INTANGIBLE ASSETS (continued)

Intangible assets with indefinite life represent license fee and key money and have been tested for impairment at the reporting date. In accordance with IAS 36: Impairment of assets, the management compared the recoverable amount for each intangible asset separately and (being the higher of value in use and fair value less cost to sell) with the carrying amounts and based on this recognised an impairment loss of KD 77,541 (2011: KD Nil) in the consolidated statement of income.

5 INVESTMENT IN ASSOCIATES

The Parent Company has interests in the following unquoted associates:

Name of company	*Country of incorporation*	*Effective interest (%)*		*Carrying value*	
		2012	*2011*	*2012 KD*	*2011 KD*
Awal Gulf Manufacturing Company W.L.L.	Bahrain	**38.84**	38.84	**4,685,908**	4,378,309
International Paper Products W.L.L.	Kuwait	**24.34**	24.34	**594,275**	594,275
National Textile Company K.S.C. (Closed)	Kuwait	**31.65**	31.65	**423,543**	406,158
				5,703,726	5,378,742

Summarised financial information of associates is as follows:

	2012 KD	*2011 KD*
Share of the associates' statement of financial position:		
Current assets	**11,719,700**	11,948,778
Non-current assets	**5,203,208**	5,151,770
Current liabilities	**(10,228,565)**	(10,282,737)
Non-current liabilities	**(1,258,708)**	(1,704,459)
Equity	**5,435,635**	5,113,352
Goodwill included in the carrying value of an associate	**268,091**	265,390
Carrying amount of the investments	**5,703,726**	5,378,742
Share of the associates' revenue and results:		
Revenue	**20,385,174**	19,559,520
Results	**454,569**	481,793

In accordance with International Accounting Standard 36: Impairment of assets, the management has performed a detailed impairment exercise in respect of the associates to determine whether there is any objective evidence that its investment in associates is considered impaired. As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

6 INVESTMENT PROPERTIES

During the year, the Group purchased investment properties for a total consideration of KD 1,600,000 from a related party (Note 10). The carrying amount after depreciation as at 31 December 2012 is KD 1,587,844. The management believes the fair value of the investment properties is not materially different from the carrying amount as at the reporting date.

7 FINANCIAL ASSETS AVAILABLE FOR SALE

Unquoted equity securities amounting to KD 1,275,000 (2011: KD 1,275,000) are carried at cost due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments. Since these investments are unquoted, a reasonable estimate of fair value can only be determined when the individual investments are disposed.

The management has performed a review of unquoted equity securities to assess whether impairment has occurred in the value of these investments. As a result of the review, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

8 INVENTORIES

	2012 *KD*	*2011* *KD*
Goods for resale	**20,440,746**	18,372,431
Raw materials, packing materials and consumables	**11,411,683**	11,006,596
Finished goods and work in progress	**1,261,517**	1,819,593
Goods in transit	**276,500**	362,908
	33,390,446	31,561,528
Less: Allowance for obsolete and slow moving inventories	**(2,206,511)**	(2,671,402)
	31,183,935	28,890,126

9 TRADE AND OTHER RECEIVABLES

	2012 *KD*	*2011* *KD*
Trade receivables	**44,335,248**	39,925,526
Less: Allowance for bad and doubtful debts	**(5,957,527)**	(5,623,995)
	38,377,721	34,301,531
Advance to suppliers	**1,799,357**	3,847,821
Prepaid expenses	**590,909**	610,553
Deposits	**305,203**	324,467
Staff receivables	**87,918**	142,649
Other receivables	**1,088,796**	674,649
	42,249,904	39,901,670

As at 31 December 2012, trade receivables with a carrying value of KD 5,957,527 (2011: KD 5,623,995) were impaired and fully provided for.

9 TRADE AND OTHER RECEIVABLES (continued)

The movements in the allowance for bad and doubtful debts on trade receivables were as follows:

	2012 *KD*	*2011* *KD*
As at 1 January	**5,623,995**	3,592,403
Charge for the year	**1,188,344**	2,405,710
Amounts written off	**(866,807)**	(371,531)
Exchange differences	**11,995**	(2,587)
As at 31 December	**5,957,527**	5,623,995

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further credit allowance required in excess of the allowance for bad and doubtful debts.

As at 31 December, the ageing analysis of trade receivables that were not impaired is as follows:

	Neither past due nor impaired	*Past due but not impaired*					*Total*
		< 30 days	*30 to 60 days*	*60 to 90 days*	*90 to 120 days*	*> 120 days*	
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
2012	**19,160,361**	**6,730,325**	**6,025,366**	**2,948,891**	**1,642,063**	**1,870,715**	**38,377,721**
2011	16,604,667	8,087,576	6,272,445	2,557,083	295,886	483,874	34,301,531

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of Group to obtain collateral over receivables and the vast majority is, therefore, unsecured.

10 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Significant balances and transactions with related parties included in the consolidated financial statements are as follows:

	Major shareholders *KD*	*Associates* *KD*	*Other related parties* *KD*	*2012* ***Total*** ***KD***	*2011* *Total* *KD*
Consolidated statement of financial position:					
Due from related parties	-	-	1,192,024	**1,192,024**	2,786,683
Due to related parties	-	5,862	7,901,121	**7,906,983**	2,668,278
Consolidated statement of income:					
Sales of goods	-	-	161,055	**161,055**	972,048
Cost of sales	-	-	466,284	**466,284**	437,631
Other income	-	-	180,538	**180,538**	180,556
General and administrative expenses	-	-	474,000	**474,000**	534,000

10 RELATED PARTY TRANSACTIONS (continued)

The amounts due from/to related parties are interest free and are receivable/payable on demand. During the year, the Group purchased certain investment properties amounting to KD 1,600,000 and freehold land and building, classified under property, plant and equipment amounting to KD 8,600,000 from a related party and sold certain freehold land and building with a net book value of KD 1,370,806 (Notes 3 and 6).

Compensation of key management personnel
Remuneration paid or accrued in relation to key management (deemed for this purpose to comprise Directors, the Chief Executive Officer and other Senior Officers) was as follows:

	2012 *KD*	*2011* *KD*
Salaries and other short-term benefits	**1,452,315**	1,279,412
Employees' end of service benefits	**298,494**	475,253
	1,750,809	1,754,665

Board of Directors' remuneration of KD 325,000 is subject to approval by the ordinary General Assembly of the equity holders of the Parent Company.

11 CASH AND CASH EQUIVALENTS

	2012 *KD*	*2011* *KD*
Bank balances and cash	**3,648,727**	5,493,494
Bank overdrafts	**(10,703,572)**	(10,632,591)
Cash and cash equivalents included in consolidated statement of cash flows	**(7,054,845)**	(5,139,097)

Bank overdrafts are repayable on demand and carry effective interest rates upto 5.5% (2011: 5.5%) per annum.

12 LOANS AND BORROWINGS

Currency	*Current*		*Non – current*	
	2012 *KD*	*2011* *KD*	*2012* *KD*	*2011* *KD*
Kuwaiti Dinars	**18,412,000**	17,565,550	**1,190,415**	708,186
UAE Dirham	**450,914**	235,086	**-**	-
Qatari Riyal	**1,393,328**	1,568,429	**524,948**	981,623
	20,256,242	19,369,065	**1,715,363**	1,689,809

Loans and borrowings carry interest at commercial rates.

Loans and borrowings of KD 2,180,394 (2011: KD 1,158,186) are secured against certain property, plant and equipment (Note 4).

13 TRADE AND OTHER PAYABLES

	2012 KD	2011 KD
Trade payable	**14,528,296**	12,168,979
Accrued expenses	**4,944,425**	3,663,013
Other payables	**2,093,854**	2,575,965
Advance from customers	**76,226**	70,860
	21,642,801	18,478,817

14 SHARE CAPITAL AND RESERVES

a) Share capital

	2012 KD	2011 KD
Authorised, issued and fully paid up in cash:		
198,000,000 (2011: 198,000,000) shares of 100 (2011: 100) fils	**19,800,000**	19,800,000

b) Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital.

Distribution of the statutory reserve up to the amount equivalent to 50% of paid up share capital is limited to the amount required to enable the payment of a dividend of up to 5% of paid up share capital in years when accumulated profits are not sufficient for the payment of such dividend.

c) Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration is required to be transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution in General Assembly of the Parent Company's shareholders upon a recommendation by the Board of Directors. Voluntary reserve is available for distribution.

15 REVENUE

	2012 KD	2011 KD
Sale of goods	**133,467,632**	132,369,824
Rendering of services	**5,926,674**	7,650,542
	139,394,306	140,020,366

16 OTHER INCOME

	2012 KD	2011 KD
Write back of provisions	**-**	1,055,740
Gain on disposal of investment properties	**-**	820,889
Rental income	**133,088**	-
Gain on disposal of property, plant and equipment	**1,655,532**	76,372
Other income	**1,709,528**	856,320
	3,498,148	2,809,321

17 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2012 *KD*	*2011* *KD*
Staff costs	**17,561,029**	16,139,920
Rental – operating leases	**2,443,662**	2,322,116
Allowance for obsolete and slow moving inventories	**132,389**	824,343
Inventories recognised as expense upon sale of goods and rendering services	**95,164,360**	97,766,994

18 CONTINGENCIES AND COMMITMENTS

(a) Contingencies:

As at the reporting date, the Group had the following contingent liabilities in respect of letter of guarantee and letter of credit granted by banks from which it is anticipated that no material liabilities will arise:

	2012 *KD*	*2011* *KD*
Letters of guarantee	**9,035,346**	8,850,521
Letters of credit	**816,879**	1,585,042
	9,852,225	10,435,563

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

In addition to the above, the Group is involved in various incidental claims and legal proceedings matters. The legal counsel of the Group believes that these matters will not have a material adverse effect on the accompanying consolidated financial statements.

(b) Commitments:

	2012 *KD*	*2011* *KD*
Capital expenditure commitments		
Future estimated capital expenditure contracted for at the reporting date		
Property, plant and equipment	**2,351,729**	4,427,398
Operating lease commitments:		
Future minimum lease payments:		
Within one year	**2,443,662**	2,420,682
After one year but not more than five years	**1,313,865**	2,540,179
Total operating lease expenditure contracted for at the reporting date	**3,757,527**	4,960,861

19 PROPOSED DIVIDENDS

On 30 April 2013, the Board of Directors of the Parent Company recommended a cash dividend of KD 5,600,000 (2011: KD 5,031,912) in respect of the year ended 31 December 2012. This proposal is subject to approval by the shareholders at the Annual General Assembly of the Parent Company.

Dividends for 2011 were approved at the Annual General Assembly of the shareholders held on 24 July 2012.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. They are monitored through the Group's strategic planning process.

The Group's principal financial liabilities comprise bank overdrafts, trade and other payables, loan and borrowings and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, due to related parties, trade receivables and financial assets available for sale which arise directly from its operations.

The management of the Group is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The management of the Group reviews and agrees policies for managing each of these risks which are summarised below.

20.1 Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade and other receivables, amounts due from related parties and financial assets available for sale.

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure is the carrying amount as disclosed in Note 9. The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2012 and 31 December 2011.

The Group sells its products and renders services to a large number of customers. Its 5 largest customers account for 27% of outstanding trade receivables at 31 December 2012 (2011: 32%).

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

20.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by ensuring that bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments. The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of sale/rendering services, unless otherwise covered by a specific contract or agreement. The Group's terms of trade with its principal suppliers generally require the amounts to be paid within periods ranging from 30 to 60 days from the date of purchase unless otherwise covered by specific contract or agreement. The maturity profile is monitored by Group's management to ensure adequate liquidity is maintained.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Liquidity risk (continued)

Liquidity risk is managed by the finance department of the Parent Company. To manage this risk, the Group invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by finance department to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2012	*On demand KD*	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Loans and borrowings	-	**593,622**	**20,534,134**	**1,755,493**	**22,883,249**
Trade and other payables	-	**15,228,884**	**6,270,652**	**143,265**	**21,642,801**
Due to related parties	**2,135,162**	**971,821**	**2,400,000**	**2,400,000**	**7,906,983**
Bank overdrafts	**10,703,572**	-	-	-	**10,703,572**
Total	**12,838,734**	**16,794,327**	**29,204,786**	**4,298,758**	**63,136,605**
Commitments	-	**1,058,229**	**1,293,500**	-	**2,351,729**

2011	*On demand KD*	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Loans and borrowings	-	563,946	19,125,376	1,823,831	21,513,153
Trade and other payables	-	11,297,138	6,336,140	845,539	18,478,817
Due to related parties	2,668,278	-	-	-	2,668,278
Bank overdrafts	10,632,591	-	-	-	10,632,591
Total	13,300,869	11,861,084	25,461,516	2,669,370	53,292,839
Commitments	-	1,469,527	2,957,871	-	4,427,398

20.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank overdrafts and loans and borrowings with floating interest rates. The interest rates are disclosed in Notes 11 and 12.

The Group's policy is to manage its interest cost by availing competitive credit facilities from the local and regional financial institutions and constantly monitoring interest rate fluctuations.

Based on the Group's financial assets and liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would equally impact the Group's profit before contribution to KFAS, Zakat and Board of Directors' remuneration as follows:

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Market risk (continued)

20.3.1 Interest rate risk (continued)

Currency	*Increase of 25 basis points* *Decrease in profit before taxation*	
	2012	*2011*
	KD	*KD*
Kuwaiti Dinar	**(66,694)**	(64,209)
Qatari Riyals	**(9,035)**	(10,653)
U.A.E. Dirhams	**(751)**	(5,584)

The decrease in the basis points will have an opposite impact on the net interest income. There is no direct impact on the Group's other comprehensive income.

20.3.2 Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The Group is mainly exposed to foreign currency risk on its trade receivables, trade accounts payables denominated in foreign currencies and net investment in foreign operations.

The table below analyses the effect on profit before contribution to KFAS, Zakat and Board of Director's remuneration (due to change in the fair value of monetary assets and liabilities) and other comprehensive income of an assumed 5% strengthening in the value of the currency rate against the KD from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or other comprehensive income, whereas a positive amount reflects a net potential increase.

Currency	*Change in currency rate by + 5%* *Effect on profit before KFAS and Zakat*	
	2012	*2011*
	KD	*KD*
US Dollars	**147,381**	(6,521)
Euro	**9,070**	(24,700)
British Pound	**10,028**	(628)
Saudi Riyals	**70,414**	48,378
U.A.E. Dirhams	**(10,933)**	(7,062)

An equivalent weakening in each of the abovementioned currencies against the KD would result in an equivalent but opposite impact.

20.3.3 Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. The Group manages this through diversification of investments in terms of industry concentration. Financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets available for sale.

The Group has unquoted investments available for sale which are carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the statement of income will be impacted.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.4 Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not exposed to significant prepayment risk.

20.5 Operation risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, trade and other receivables, bank balances and cash and due from related parties. Financial liabilities consist of bank overdrafts, loans and borrowing, trade and other payables and due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

The fair values of financial instruments, except unquoted equity securities carried at cost (see Note 7), are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to variable rate financial instruments.

22 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011. The Group monitors capital at the level of the Parent Company and at each of the subsidiaries.

Based on considerations of various stakeholders, capital at the Parent Company is monitored in terms of debt/equity ratio, which is net debt divided by total capital plus net debt. The Parent Company includes within net debt, loans and borrowings and bank overdrafts less bank balances and cash. Total capital represents total equity attributable to the equity holders of the Parent Company.

22 CAPITAL MANAGEMENT (continued)

	2012 *KD*	*2011* *KD*
Loans and borrowings	**21,971,605**	21,058,874
Bank overdrafts	**10,703,572**	10,632,591
Less: Bank balances and cash	**(3,648,727)**	(5,493,494)
Net debt	**29,026,450**	26,197,971
Equity attributable to the equity holders of the Parent Company	**65,826,469**	62,047,739
Total capital plus net debt	**94,852,919**	88,245,710
Debt/equity ratio (%)	**44.1%**	42.2%

Each subsidiary of the Group is responsible for its own capital management and maintains a level of capital that is adequate to support its business and financial exposures.

23 COMPARATIVE INFORMATION

In accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the comparative information for the previous year ended 31 December 2011 has been reclassified as follows to give effect to the above reclassifications:

	As previously reported KD	*Effect of reclassification KD*	*Reclassified KD*
Consolidated statement of financial position			
Total assets	128,062,950	(789,765)	127,273,185
Total liabilities	58,637,359	(789,765)	57,847,594
Consolidated statement of income			
Sales	138,308,073	1,712,293	140,020,366
Cost of sales	(102,436,694)	(6,202,011)	(108,638,705)
Other income	5,549,996	(2,747,165)	2,802,831
Expenses	(30,207,000)	6,698,624	(23,508,376)

The above reclassifications are mainly due to the following:

a) In the previous year, cost of sales amounting to KD 4,879,486 was classified under general and administrative expenses. This amount has been reclassified and disclosed under cost of sales in the consolidated statement of income.

b) In the previous year, allowance for bad and doubtful debts amounting to KD 481,174 was classified under trade and other payables. This amount has been reclassified and adjusted against trade and other receivables.

c) In the previous year, sales amounting to KD 1,670,781was classified under other income. This amount has been reclassified and disclosed under sales in the consolidated statement of income.

Such reclassification was made to improve the quality of information presented and had no impact on the profit for the year ended 31 December 2011 and retained earnings as at 1 January 2011.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

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Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mezzan Holding Company K.S.C. (Closed) (the "Parent Company") and subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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INDEPENDENT AUDITORS' REPORT THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL-OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

30 January 2014
Kuwait

	Notes	2013 KD	2012 KD
ASSETS			
Non-current assets			
Property, plant and equipment	3	57,633,455	50,944,673
Intangible assets	4	2,205,073	2,072,534
Investment in associates	5	944,864	5,703,726
Investment properties	6	1,565,718	1,587,844
Financial assets available for sale		763,423	1,275,000
		63,112,533	61,583,777
Current assets			
Trade and other receivables	7	44,329,459	42,249,904
Inventories	8	31,332,050	31,183,935
Due from related parties	9	943,006	1,192,024
Bank balances and cash	10	14,950,567	3,648,727
		91,555,082	78,274,590
TOTAL ASSETS		154,667,615	139,858,367
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		3,337,128	3,457,047
Loans and borrowings	11	11,132,973	1,715,363
Due to related parties	9	-	2,400,000
		14,470,101	7,572,410
Current liabilities			
Loans and borrowings	11	23,676,055	20,256,242
Trade and other payables	12	22,730,896	21,642,801
Due to related parties	9	2,740,501	5,506,983
Bank overdrafts	10	8,817,818	10,703,572
		57,965,270	58,109,598
TOTAL LIABILITIES		72,435,371	65,682,008
NET ASSETS		82,232,244	74,176,359
EQUITY			
Share capital	13	19,800,000	19,800,000
Statutory reserve	13	9,900,000	8,933,515
Voluntary reserve	13	9,900,000	8,933,515
Retained earnings		31,327,033	28,426,274
Foreign currency translation reserve		(179,789)	(266,835)
Equity attributable to equity holders of the Parent Company		70,747,244	65,826,469
Non-controlling interests		11,485,000	8,349,890
TOTAL EQUITY		82,232,244	74,176,359

Mohammed Jassim Al Wazzan
(Chairman)

Abdulrahman Jassim Al Wazzan
(Vice Chairman)

The attached notes 1 to 25 form part of these consolidated financial statements.

	Notes	2013 KD	2012 KD
Sale of goods		**138,511,574**	133,467,632
Rendering of services		**2,806,900**	5,926,674
Revenue		**141,318,474**	139,394,306
Cost of sales		**(110,399,134)**	(103,711,970)
Cost of rendering of services		**(788,105)**	(3,180,508)
Cost of revenue		**(111,187,239)**	(106,892,478)
GROSS PROFIT		**30,131,235**	32,501,828
Share of results of associates	5	**116,622**	454,569
Other income	14	**5,571,615**	3,749,172
Gain on bargain purchase	17	**2,242,000**	-
Selling and distribution expenses		**(11,663,663)**	(10,670,604)
General and administrative expenses		**(12,024,232)**	(11,865,890)
Impairment of property, plant and equipment	3	-	(1,130,442)
Finance costs		**(1,066,829)**	(1,385,529)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		**13,306,748**	11,653,104
Contribution to KFAS		**(88,174)**	(84,650)
Zakat		**(124,734)**	(84,398)
Board of Directors' remuneration	9	**(25,000)**	(325,000)
PROFIT FOR THE YEAR	15	**13,068,840**	11,159,056
Attributable to:			
Equity holders of the Parent Company		**10,433,729**	8,930,869
Non-controlling interests		**2,635,111**	2,228,187
		13,068,840	11,159,056
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	16	**52.70 Fils**	45.11 Fils

The attached notes 1 to 25 form part of these consolidated financial statements.

	2013 *KD*	*2012* *KD*
Profit for the year	**13,068,840**	11,159,056
Other comprehensive income (loss):		
Other comprehensive income (loss) to be reclassified to consolidated profit or loss in subsequent periods		
Foreign currency translation adjustment	**(12,278)**	(123,842)
Foreign currency translation adjustment recycled to income statement on disposal of an associate	**102,934**	-
Net other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods	**90,656**	(123,842)
Total comprehensive income for the year	**13,159,496**	11,035,214
Attributable to:		
Equity holders of the Parent Company	**10,520,775**	8,810,642
Non-controlling interests	**2,638,721**	2,224,572
	13,159,496	11,035,214

The attached notes 1 to 25 form part of these consolidated financial statements.

	Notes	2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit for the year		**13,068,840**	11,159,056
Adjustments for:			
Depreciation	3 & 6	**4,016,971**	3,687,523
Amortisation and impairment of intangible assets	4	**177,706**	197,105
Provision for (reversal of) employees' end of service benefits		**452,401**	(792,003)
Allowance for obsolete and slow moving inventories	15	**971,713**	132,389
Allowance for bad and doubtful debts	7	**1,789,811**	1,188,344
Share of results of associates	5	**(116,622)**	(454,569)
Gain on bargain purchase	17	**(2,242,000)**	-
Gain on disposal of investment in an associate	14	**(1,289,437)**	-
Impairment of property, plant and equipment	3	**-**	1,130,442
Gain on disposal of property, plant and equipment	14	**(2,155,438)**	(1,655,532)
Finance costs		**1,066,829**	1,385,529
Foreign exchange gain		**(105,648)**	-
		15,635,126	15,978,284
Working capital changes:			
Trade and other receivables		**(2,008,018)**	(3,536,578)
Inventories		**(859,320)**	(2,426,198)
Net movement in amount due from / to related parties		**(3,700,735)**	920,569
Trade and other payables		**1,023,745**	3,163,985
Cash from operations		**10,090,798**	14,100,062
Employees' end of service benefits paid		**(593,382)**	(622,596)
Net cash from operating activities		**9,497,416**	13,477,466
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	**(7,589,365)**	(8,433,128)
Proceeds from disposal of property, plant and equipment		**109,136**	265,798
Purchase of intangible assets	4	**(362,347)**	(294,447)
Proceeds on disposal of investment in an associate		**4,501,928**	-
Increase in restricted balances with banks	10	**(10,479,875)**	-
Cash inflow on acquisition of a subsidiary	17	**37,997**	-
Dividend income received from associates		**279,832**	175,488
Net cash used in investing activities		**(13,502,694)**	(8,286,289)
FINANCING ACTIVITIES			
Net movement in loans and borrowings		**12,837,423**	912,730
Dividends paid to equity holders of Parent Company	20	**(4,680,000)**	(5,031,912)
Dividends paid to non-controlling interests		**(471,913)**	(1,252,534)
Finance costs paid		**(1,066,829)**	(1,385,529)
Net cash from (used in) financing activities		**6,618,681**	(6,757,245)
Effect of foreign currency translation		**94,315**	(349,680)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,707,719**	(1,915,748)
Cash and cash equivalents at 1 January		**(7,054,845)**	(5,139,097)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**(4,347,126)**	(7,054,845)

The attached notes 1 to 25 form part of these consolidated financial statements.

	Attributable to equity holders of the Parent Company							
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Retained earnings KD*	*Foreign currency translation reserve KD*	*Sub total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2012	19,800,000	7,991,023	7,991,023	26,412,301	(146,608)	62,047,739	7,377,852	69,425,591
Profit for the year	-	-	-	8,930,869	-	8,930,869	2,228,187	11,159,056
Other comprehensive loss	-	-	-	-	(120,227)	(120,227)	(3,615)	(123,842)
Total comprehensive income (loss) for the year	-	-	-	8,930,869	(120,227)	8,810,642	2,224,572	11,035,214
Transfer to reserves	-	942,492	942,492	(1,884,984)	-	-	-	-
Dividends	-	-	-	(5,031,912)	-	(5,031,912)	-	(5,031,912)
Dividends to non-controlling interests	-	-	-	-	-	-	(1,252,534)	(1,252,534)
As at 31 December 2012	19,800,000	8,933,515	8,933,515	28,426,274	(266,835)	65,826,469	8,349,890	74,176,359
Profit for the year	-	-	-	10,433,729	-	10,433,729	2,635,111	13,068,840
Other comprehensive income	-	-	-	-	87,046	87,046	3,610	90,656
Total comprehensive income for the year	-	-	-	10,433,729	87,046	10,520,775	2,638,721	13,159,496
Arising on acquisition of a subsidiary (Note 17)	-	-	-	-	-	-	948,374	948,374
Arising on establishment of a subsidiary (Note 2.4)	-	-	-	-	-	-	19,928	19,928
Transfer to reserves	-	966,485	966,485	(1,932,970)	-	-	-	-
Dividends (Note 20)	-	-	-	(5,600,000)	-	(5,600,000)	-	(5,600,000)
Dividends to non-controlling interests	-	-	-	-	-	-	(471,913)	(471,913)
As at 31 December 2013	**19,800,000**	**9,900,000**	**9,900,000**	**31,327,033**	**(179,789)**	**70,747,244**	**11,485,000**	**82,232,244**

The attached notes 1 to 25 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Mezzan Holding Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively the "Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 30 January 2014 and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend the consolidated financial statements after issuance.

The Parent Company is a closed shareholding company registered and incorporated as a holding company in Kuwait on 3 August 1999. The registered office of the Parent Company is Building number 264, Area number 2, Aradiya, Kuwait. The principal activities of the Group are explained in note 2.4.

The principal activities of the Parent Company as per the Articles of Associations are as follows:

a) Possessing shares of Kuwaiti or foreign stock companies as well as possessing shares or portions in limited liability companies whether Kuwaiti or foreign, or participating in establishing these companies with their types and managing them and sponsoring them at others.
b) Giving loans to companies in which this company possesses shares and sponsoring them at others. In this case it is necessary that the participation ratio of the holding company in the capital of the borrowing company should not be less than 20%.
c) Owning the industrial intellectual property including patents, trade and industrial marks, industrial fees or any other rights related to them and leasing them to other companies to make use of them inside and outside Kuwait.
d) Possessing movable or real estate necessary to carry out its activities within the limits allowed by law.
e) The company may have an interest or participate in any manner with bodies performing activities similar to its own or which may assist it achieve its purpose inside or outside Kuwait and it may establish or participate or buy such corporations or attach them to itself.

The New Companies Law, issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the "Decree"). The Executive Regulations of the new amended law issued on 29 September 2013 was published in the Official Gazette on 6 October 2013. As per Article three of the Executive Regulations, all companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis modified to include the measurement at fair value of financial assets available for sale and derivative financial instruments

Functional and presentation currency
The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also functional currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of the consolidated financial statement are consistent with those used in the preparation of consolidated financial statements ended 31 December 2013 except for the adoption of the following new and amended IFRS during the period. The impacts of the adoption of new and amended IFRS are described as below:

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2013)
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard did not have any material impact on the consolidated financial statements of the Group.

IFRS 10: Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
IFRS 10 replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements*. It also addresses the issues raised in SIC-12 *Consolidation - Special Purpose Entities.*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the Group, compared with the requirements that were in IAS 27. The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Once control is established, the standard requires the Group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. This resulted in change in accounting policy for "basis for consolidation" as described in below.

IFRS 11: Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 12: Disclosure of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013)
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. The adoption of this IFRS did not had any impact on the consolidated financial statements of the Group.

IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. The adoption of this standard has no material impact on the financial position and performance certain new disclosures have been made in the consolidated financial statements of the Group.

IAS 1: Presentation of Items of Other Comprehensive Income (Amendment) (effective for annual periods beginning on or after 1 January 2013)
The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard has no effect on the financial position or performance of the Group and only resulted in presentation changes in statement of comprehensive income.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IAS 28: Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

IFRS 9: Financial Instruments: Classification and Measurement (effective 1 January 2015)
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39: Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IAS 32: Offsetting Financial Assets and Financial Liabilities (Amendment) (effective for annual periods beginning on or after 1 January 2014)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

The consolidated financial statement includes the financial statements of the Parent Company and its subsidiaries. The subsidiaries of the Group are as follows:

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*		*Principal activity*
		2013	*2012*	
Conserved Foodstuff Distribution Company W.L.L.	Kuwait	**99%**	99%	Manufacturing and whole sale distribution of meat products and general trading in food stuff
Al Sabriya International General Trading Company W.L.L.	Kuwait	**99%**	99%	General trading and contracting activities
Al Muntaser Pharmaceutical Company W.L.L.	Kuwait	**99%**	99%	Whole sale and retail trade of cosmetics, medicines and other consumer items
Jassim Al Wazzan Sons General Trading Company W.L.L.	Kuwait	**99%**	99%	Whole sale and retail trade of food stuff
Al Hoda Kuwaiti Foodstuff Company W.L.L.	Kuwait	**99%**	99%	Exporting ,importing and trading of all kind of food stuff
Al Mansouria Consumer Trading Company W.L.L.	Kuwait	**99%**	99%	Trading of household goods and cleaning materials
Al Wazzan Trading and Catering Services Company W.L.L.	Kuwait	**99%**	99%	Providing catering services and general trading
National Canned Food Production and Trading Company W.L.L.	Kuwait	**99%**	99%	Manufacturing and trading of all kinds of food stuffs
Oriental for Catering Services Company W.L.L.	Kuwait	**99%**	99%	Exporting ,importing and trading of all kind of food stuff
Mezzan Industries Company W.L.L	Kuwait	**99%**	99%	Manufacturing of Paper and nylon products

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*		*Principal activity*
		2013	*2012*	
Kuwait Lube Oil Company K.S.C. (Closed)	Kuwait	**93.66%**	93.66%	Recycling and trading of oil, lubricants and related products
Arla Food Kuwait W.L.L.	Kuwait	**51%**	51%	Importing and trading of all kind of dairy products
Plastic Industries Company K.S.C. (Closed)	Kuwait	**55.58%**	55.58%	Manufacturing and trading of household goods
Kuwait Biscuit and Food Products Manufacturing Company W.L.L.	Kuwait	**51%**	51%	Manufacturing and trading of biscuits and related products
Gulf Pastries Manufacturing Company W.L.L	Kuwait	**51%**	51%	Manufacturing and sale of pastries and cakes
Kuwait Indo Trading Company W.L.L.	Kuwait	**51%**	51%	Manufacturing and sale of food stuff
Mezzan Logistics for Transport and Storage Company K.S.C. (Closed)	Kuwait	**96%**	96%	Logistics services and storage facilities
Emirates Star Services L.L.C.	U.A.E.	**90%**	90%	Providing catering services and running restaurants
Qatar Star Services L.L.C.	Qatar	**100%**	100%	Providing catering and cleaning services
Mezzan Saudi Trading Company L.L.C.	Saudi Arabia	**100%**	100%	Manufacturing and whole sale distribution of meat products and general trading in food stuff
Softy Industries Company L.L.C.	Jordan	**100%**	100%	Manufacturing, whole sale and retail trade of cosmetics and other consumer items
Afia Trading Services FZE	United Arab Emirates	**100%**	100%	Trading in food services and providing related services
Al Wazzan Foodstuffs Factory L.L.C. (Note 17)	United Arab Emirates	**51%**	-	Manufacturing and trading of food stuffs
Tazweed Commercial Solutions Company P.S.C.*	Jordan	**50%**	-	Providing catering and retail services.

The Parent Company also has branches in Qatar (Conserved Foodstuffs Distributing Company W.L.L. – Qatar branch) and Kingdom of Saudi Arabia (Conserved Foodstuff Distribution Factory Company – KSA branch). In addition, the Group owns a sole proprietorship concern (Khazan Meat Factory) in United Arab Emirates.

* During the year, the Parent Company has established a limited liability company in Jordan with 50% equity interest. As per the terms of the incorporation, the Parent Company is entitled to receive 80% of share of profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold and leasehold land and capital work-in-progress are not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	5 to 30 years
Leasehold property and improvements	Up to 30 years
Plant and machinery	3 to 15 years
Computer and office equipment	3 to 8 years
Motor vehicles	5 to 7 years
Furniture and fixtures	3 years
Kitchen and other equipment	3 years

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for the intended use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Goodwill
Accounting policy relating to goodwill is documented in the accounting policy "Business combinations and goodwill".

Key money
Key money represents amounts paid in securing operating leases for the Group's branches. Key money is amortised over a period of 5 years.

License fee
The license is assumed to have an indefinite useful life and is subject to impairment testing on at least an annual basis.

Computer software
Computer software is amortised over a period of 8 years which is determined to be the expected period over which benefit is derived from use of the software.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, except for reversal of impairment loss recognised for goodwill which is not reversed in a subsequent period, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee, but not control or joint control over those policies. The Group's investment in its associates, are accounted for using the equity method.

Under the equity method, investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of associates shown in the consolidated statement of income and represents profit or loss after tax and excluding non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Impairment loss on an associate' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and impairment, if any.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment properties are depreciated as follows;

Land	Not depreciated
Building	5 to 30 years

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Financial instruments - classification, measurement, recognition, de-recognition and offsetting

Classification
The Group classifies its financial instruments as "financial assets available for sale", "loans and receivables", "loans and borrowings" and "liabilities other than at fair value through profit or loss". Management determines the appropriate classification of each financial instrument at the time of initial recognition.

Recognition and measurement of financial assets and liabilities
The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

All financial assets are initially recognised at fair value plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All financial liabilities are initially measured at fair value of the consideration given plus transaction costs.

Financial assets available for sale
Financial assets available for sale comprise equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

These are financial assets principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. Available for sale investments are initially measured at fair value (transaction price) plus directly attributable transaction costs. After initial recognition, available for sale investments are remeasured at fair value. Unrealised gains and losses on remeasurement to fair value are reported as other comprehensive income and included in the cumulative changes in fair value reserve until the investment is sold or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment, if any.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using effective interest method less any provision for impairment. In the consolidated statement of financial position "trade receivables" "bank balances and cash" and "due from related parties" are classified as "loan and receivables".

Accounts receivable are stated at original invoice amount less impairment for any uncollectible amounts. An estimate for doubtful debts is made when collection of the part of or full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and measurement of financial assets and liabilities (continued)

Derivative financial instruments

The Group uses forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to loan settlement and purchases of inventory from overseas suppliers. These are included in the consolidated statement of financial position at fair value and any resultant gain or loss is recognised in the consolidated statement of income. The fair values of these derivatives are included in "other receivables" in case of positive fair value and "other payables" in case of negative fair value.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated statement of income.

Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'Trade and other payables'.

Financial liabilities other than at fair value through profit and loss

These are financial liabilities other than those designated at fair value through profit and loss. These include trade and other payables.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

Derecognition of financial assets and liabilities

A financial asset (in whole or in part) is derecognised either when: (i) the rights to receive the cash flows from the asset have expired or (ii) the Group has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine, whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. A financial asset or a group of financial assets are impaired if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of income.

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for investments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of financial assets classified as available for sale are recognised in other comprehensive income.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and short term deposits which mature within three months from inception, net of outstanding bank overdrafts.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Goods for resale	purchase cost on a weighted average basis.
Raw materials, packing materials and consumables	purchase cost on a weighted average basis.
Finished goods and work-in-progress	cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Goods in transit	purchase cost incurred up to the reporting date

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary, length of service, historical termination and resignation rate. The entitled amount as computed is discounted using weighted average cost of capital of the Group to the present value of such obligation subject to the completion of a minimum service period. The obligation as calculated and the expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to social security scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Foreign currencies
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of income, all differences are recognised in the consolidated statement of income.

Group Companies
Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences arising on translation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services
Revenue from rendering of services is recognised when related services are provided.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007.

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Significant accounting judgments and estimates
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to the following:

Impairment of trade receivables
An estimate of the collectible amount of trade accounts receivable and retentions is made when collection of the part of or full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment
A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments.
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of intangible assets (with indefinite life)
The Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of intangible assets with indefinite lives at 31 December 2013 were KD 1,389,987 (2012: KD 1,238,530). More details are given in Note 4.

Impairment of financial assets available for sale
The Group treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires considerable judgment.

Provision for employees' end of service benefits
The Group's management performs a detailed review of the provision for employees' end of service benefits considering the expected pattern of the future obligations based on historical termination and resignation rates. Management reviews the future obligations annually and would be adjusted where the management believes the previous estimates are required to be adjusted.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

Material non-controlling interests
The Group's management considers any non-controlling interests which accounts for over 5% of the total equity of the Group as material. As at the reporting date, none of the non-controlling interests accounts for over 5% of the total equity. Hence, no disclosures are considered necessary.

3 PROPERTY, PLANT AND EQUIPMENT

	Freehold land KD	*Leasehold land KD*	*Buildings KD*	*Leasehold property and improvements KD*	*Plant and machinery KD*	*Computer and office equipment KD*	*Motor vehicles KD*	*Furniture and fixtures KD*	*Kitchen and other equipment KD*	*Capital work-in-progress KD*	*Total KD*
Cost:											
As at 1 January 2013	10,062,100	4,246,957	24,892,010	391,176	31,445,887	1,671,060	8,175,766	5,767,628	6,817,522	9,821,807	103,291,913
Arising on acquisition of a subsidiary (Note 17)	1,102,486	-	2,679,842	-	1,197,324	10,885	123,943	29,852	-	20,824	5,165,156
Additions	662,498	1,305,905	834,780	-	1,441,702	105,938	719,423	387,635	362,481	1,769,003	7,589,365
Disposals		-	(114,784)	(69,508)	(108,457)	(2,880)	(387,428)	(200,810)	(17,762)	(2,999)	(904,628)
Transfers	-	-	9,043,435	-	1,078,631	-	8,014	-	-	(10,130,080)	-
Exchange differences	-	(1,780)	(61,889)	(82)	(10,096)	(452)	(4,027)	(3,095)	(1,655)	48,757	(34,319)
As at 31 December 2013	**11,827,084**	**5,551,082**	**37,273,394**	**321,586**	**35,044,991**	**1,784,551**	**8,635,691**	**5,981,210**	**7,160,586**	**1,527,312**	**115,107,487**
Depreciation:											
As at 1 January 2013	-	-	11,388,882	153,365	21,880,971	1,394,643	6,523,037	4,968,879	6,037,463	-	52,347,240
Arising on acquisition of a subsidiary (Note 17)	-	-	992,794	-	629,120	9,525	110,253	22,165	-	-	1,763,857
Charge for the year	-	-	1,046,529	11,018	1,421,253	181,921	475,133	440,059	418,932	-	3,994,845
Relating to disposals	-	-	(114,783)	-	(81,728)	(533)	(305,868)	(101,649)	(4,370)	-	(608,931)
Exchange differences	-	-	(8,970)	(6,183)	(601)	(2,478)	(2,535)	(2,212)	-	-	(22,979)
As at 31 December 2013	-	-	**13,304,452**	**158,200**	**23,849,015**	**1,583,078**	**6,800,020**	**5,327,242**	**6,452,025**	-	**57,474,032**
Net book value											
As at 31 December 2013	**11,827,084**	**5,551,082**	**23,968,942**	**163,386**	**11,195,976**	**201,473**	**1,835,671**	**653,968**	**708,561**	**1,527,312**	**57,633,455**

Capital work-in-progress comprises the cost of assets acquired which are under construction and are not available for use as at the reporting date.

Buildings and leasehold property and improvements are constructed on land leased from the Government of Kuwait for periods ranging from 1 to 20 years and the leases are renewable upon the expiry of the leases. The management expects these leases to be renewed indefinitely and therefore, the cost of the acquisition of such leases amounting to KD 5,551,082 (2012: KD 4,246,957) is not depreciated.

Property, plant and equipment with a net book value of KD 6,046,595 (2012: KD 6,245,644) are secured against the loans and borrowings granted to the Group (Note 11).

Certain leasehold land and a building were sold to a related party during the year (Note 9).

3 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land KD	*Leasehold land KD*	*Buildings KD*	*Leasehold property and improvements KD*	*Plant and machinery KD*	*Computer and office equipment KD*	*Motor vehicles KD*	*Furniture and fixtures KD*	*Kitchen and other equipment KD*	*Capital work-in-progress KD*	*Total KD*
Cost:											
As at 1 January 2012	5,355,823	4,053,029	19,017,363	696,441	31,531,468	1,559,463	7,828,298	5,344,234	6,067,102	11,455,014	92,908,235
Additions	5,973,766	175,613	2,741,424	263,780	1,847,495	99,188	681,672	431,977	669,269	2,720,765	15,604,949
Disposals	(1,267,489)	-	(783,374)	-	(144,901)	(2,435)	(363,591)	(155,478)	-	-	(2,717,268)
Transfers	-	-	3,879,494	42,128	223,231	13,129	17,885	151,766	75,381	(4,403,014)	-
Impairment	-	-	(16,850)	(617,373)	(2,068,978)	-	-	(17,524)	-	(7,403)	(2,728,128)
Exchange differences	-	18,315	53,953	6,200	57,572	1,715	11,502	12,653	5,770	56,445	224,125
As at 31 December 2012	10,062,100	4,246,957	24,892,010	391,176	31,445,887	1,671,060	8,175,766	5,767,628	6,817,522	9,821,807	103,291,913
Depreciation:											
As at 1 January 2012	-	-	11,253,548	118,493	22,290,123	1,209,221	6,499,105	4,487,437	5,454,033	-	51,311,960
Charge for the year	-	-	624,507	32,570	1,269,712	185,900	355,820	627,000	580,045	-	3,675,554
Relating to disposals	-	-	(498,871)	-	(129,332)	(1,600)	(339,348)	(137,851)	-	-	(1,107,002)
Impairment	-	-	(4,749)	-	(1,577,011)	-	-	(15,926)	-	-	(1,597,686)
Exchange differences	-	-	14,447	2,302	27,479	1,122	7,460	8,219	3,385	-	64,414
As at 31 December 2012	-	-	11,388,882	153,365	21,880,971	1,394,643	6,523,037	4,968,879	6,037,463	-	52,347,240
Net book value											
As at 31 December 2012	10,062,100	4,246,957	13,503,128	237,811	9,564,916	276,417	1,652,729	798,749	780,059	9,821,807	50,944,673

3 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year has been allocated as follows:

	2013 *KD*	*2012* *KD*
Cost of sales	**2,106,319**	1,899,529
Selling and distribution expenses	**143,817**	169,715
General and administrative expenses	**1,737,606**	1,582,897
Included in consolidated statement of income	**3,987,742**	3,652,141
Included in value of finished goods	**7,103**	23,413
	3,994,845	3,675,554

4 INTANGIBLE ASSETS

	Goodwill *KD*	*Key money* *KD*	*License fee* *KD*	*Computer software* *KD*	*Total* *KD*
Cost:					
As at 1 January 2013	626,113	258,000	875,000	1,207,778	2,966,891
Additions	-	55,200	220,000	87,147	362,347
Disposals	-	-	(55,000)	(428)	(55,428)
Foreign currency adjustment	(1,288)	-	-	(29)	(1,317)
As at 31 December 2013	**624,825**	**313,200**	**1,040,000**	**1,294,468**	**3,272,493**
Amortisation:					
As at 1 January 2013	-	199,931	262,583	431,843	894,357
Charge for the year	-	22,632	-	138,236	160,868
Impairment (net)	-	-	16,838	-	16,838
Relating to disposals	-	-	(4,583)	(60)	(4,643)
As at 31 December 2013	-	**222,563**	**274,838**	**570,019**	**1,067,420**
Net carrying amount					
As at 31 December 2013	**624,825**	**90,637**	**765,162**	**724,449**	**2,205,073**

	Goodwill *KD*	*Key money* *KD*	*License fee* *KD*	*Computer software* *KD*	*Total* *KD*
Cost:					
As at 1 January 2012	602,122	258,000	670,913	1,143,331	2,674,366
Additions	-	-	230,000	64,447	294,447
Disposals	-	-	(25,913)	-	(25,913)
Foreign currency adjustment	23,991	-	-	-	23,991
As at 31 December 2012	626,113	258,000	875,000	1,207,778	2,966,891
Amortisation:					
As at 1 January 2012	-	147,890	262,996	312,279	723,165
Charge for the year	-	52,041	-	119,564	171,605
Impairment	-	-	25,500	-	25,500
Relating to disposals	-	-	(25,913)	-	(25,913)
As at 31 December 2012	-	199,931	262,583	431,843	894,357
Net carrying amount					
As at 31 December 2012	626,113	58,069	612,417	775,935	2,072,534

Amortisation charge for the year is included under general and administrative expenses.

5 INVESTMENT IN ASSOCIATES

The Parent Company has interests in the following unquoted associates:

Name of company	*Country of incorporation*	*Activity*	*Effective interest (%)*		*Carrying value*	
			2013	*2012*	*2013*	*2012*
					KD	*KD*
Awal Gulf Manufacturing Company W.L.L.	Bahrain	Manufacturing	-	38.84	-	4,728,569
International Paper Products W.L.L.	Kuwait	Manufacturing	**24.34**	24.34	**532,397**	551,614
National Textile Company K.S.C. (Closed)	Kuwait	Manufacturing	**31.65**	31.65	**412,467**	423,543
					944,864	5,703,726

Summarised financial information of associates is as follows:

	2013	*2012*
	KD	*KD*
Share of the associates' statement of financial position:		
Current assets	**698,900**	11,719,700
Non-current assets	**613,257**	5,203,208
Current liabilities	**(351,695)**	(10,228,565)
Non-current liabilities	**(15,598)**	(1,258,708)
Equity	**944,864**	5,435,635
Goodwill included in the carrying value of an associate	-	268,091
Carrying amount of the investments	**944,864**	5,703,726
Share of the associates' revenue and results:		
Revenue	**16,358,487**	20,385,174
Results	**116,622**	454,569

In accordance with International Accounting Standard 36: Impairment of assets, the management has performed impairment exercise in respect of the associates to determine whether there is any objective evidence that its investment in associates is considered impaired. As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

During the year, the Parent Company sold its equity interest in Awal Gulf Manufacturing Company W.L.L. for a total consideration of KD 5,998,934, resulting in a gain of KD 1,289,437 (Note 14).

6 INVESTMENT PROPERTIES

The cost less accumulated depreciation of the investment properties as at 31 December 2013 is KD 1,565,718 (2012: KD 1,587,844). Based on internal valuation exercise, the fair value of the investment properties is not materially different from the carrying value.

7 TRADE AND OTHER RECEIVABLES

	2013 *KD*	*2012* *KD*
Trade receivables	**42,854,146**	44,335,248
Less: Allowance for bad and doubtful debts	**(5,618,358)**	(5,957,527)
	37,235,788	38,377,721
Advance to suppliers	**3,658,917**	1,799,357
Prepaid expenses	**586,823**	590,909
Deposits	**585,932**	305,203
Staff receivables	**138,547**	87,918
Other receivables	**2,123,452**	1,088,796
	44,329,459	42,249,904

As at 31 December 2013, trade receivables with a carrying value of KD 5,618,358 (2012: KD 5,957,527) were impaired and fully provided for.

The movement in the allowance for bad and doubtful debts on trade receivables were as follows:

	2013 *KD*	*2012* *KD*
As at 1 January	**5,957,527**	5,623,995
Charge for the year	**1,789,811**	1,188,344
Amounts written off	**(2,140,539)**	(866,807)
Exchange differences	**11,559**	11,995
As at 31 December	**5,618,358**	5,957,527

The allowance for bad and doubtful debts for the year is included in general and administrative expenses for the year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further credit allowance required in excess of the allowance for bad and doubtful debts.

As at 31 December, the ageing analysis of trade receivables that were not impaired is as follows:

		Past due but not impaired					*Total*
	Neither past due nor impaired *KD*	*< 30 days* *KD*	*30 to 60 days* *KD*	*60 to 90 days* *KD*	*90 to 120 days* *KD*	*> 120 days* *KD*	*KD*
2013	**19,762,887**	**7,854,448**	**5,640,940**	**1,874,572**	**1,252,584**	**850,357**	**37,235,788**
2012	19,160,361	6,730,325	6,025,366	2,948,891	1,642,063	1,870,715	38,377,721

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority is, therefore, unsecured.

8 INVENTORIES

	2013 *KD*	*2012* *KD*
Goods for resale	**21,555,892**	20,440,746
Raw materials, packing materials and consumables	**9,545,232**	11,411,683
Finished goods and work in progress	**2,460,009**	1,261,517
Goods in transit	**546,276**	276,500
	34,107,409	33,390,446
Less: Allowance for obsolete and slow moving inventories	**(2,775,359)**	(2,206,511)
	31,332,050	31,183,935

The movement in the allowance for obsolete and slow moving inventories was as follows:

	2013 *KD*	*2012* *KD*
As at 1 January	**2,206,511**	2,671,402
Charge for the year	**971,713**	132,389
Amounts written off	**(402,865)**	(597,280)
As at 31 December	**2,775,359**	2,206,511

9 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Significant balances and transactions with related parties included in the consolidated financial statements are as follows:

	Major shareholders *KD*	*Associates* *KD*	*Other related parties* *KD*	*2013* ***Total*** ***KD***	*2012* *Total* *KD*
Consolidated statement of financial position:					
Due from related parties	-	-	943,006	**943,006**	1,192,024
Due to related parties	1,952,094	1,712	786,695	**2,740,501**	7,906,983

9 RELATED PARTY TRANSACTIONS (continued)

	Major shareholders KD	*Associates KD*	*Other related parties KD*	***2013 Total KD***	*2012 Total KD*
Consolidated statement of income:					
Sale of goods	27,484	-	-	**27,484**	161,055
Cost of sales	(21,761)	-	-	**(21,761)**	(466,284)
Other income	-	-	2,479,386	**2,479,386**	180,538
General and administrative expenses	-	-	341,769	**341,769**	(474,000)

The amounts due from/to related parties are interest free and are receivable/payable on demand.

Other related parties transaction:

i) During the year, the Group sold certain property, plant and equipment with a net carrying value of KD 1 (Note 3) and financial assets available for sale with a carrying value of KD 1,275,000 to a related party. The amount due from the related party which arose as a result of the above transaction was settled against the amount due to the related party and shares in an unquoted company amounting to KD 763,423.

ii) The Parent Company acquired 51% equity interest in Al Wazzan Foodstuff Factory from major shareholders of the Parent Company resulting in a gain on bargain purchase of KD 2,242,000 (Note 17).

iii) During 2012, the Group purchased certain investment properties amounting to KD 1,600,000 and freehold land and building, classified under property, plant and equipment amounting to KD 8,600,000 from a related party. The total consideration of KD 10,200,000 was settled by transfer of freehold land and building valued at KD 3,000,000, having a net book value of KD 1,370,806 and the balance of KD 7,200,000 was payable to the related party.

Compensation of key management personnel

Remuneration paid or accrued in relation to key management (which is deemed for this purpose to comprise of Directors, the Chief Executive Officer and other Senior Officers) was as follows:

	2013 KD	*2012 KD*
Salaries and other short-term benefits	**1,676,712**	1,452,315
Employees' end of service benefits	**72,799**	298,494
	1,749,511	1,750,809

The proposed Board of Directors' remuneration of KD 25,000 (2012: KD 325,000) is subject to approval by the ordinary General Assembly of the equity holders of the Parent Company.

10 CASH AND CASH EQUIVALENTS

	2013 *KD*	*2012* *KD*
Bank balances and cash	**14,950,567**	3,648,727
Bank overdrafts	**(8,817,818)**	(10,703,572)
Restricted bank balance (note 25)	**(10,479,875)**	-
Cash and cash equivalents included in consolidated statement of cash flows	**(4,347,126)**	(7,054,845)

Bank overdrafts are repayable on demand and carry effective interest rates of up to 5.5% (2012: 5.5%) per annum.

11 LOANS AND BORROWINGS

Currency	*Current*		*Non – current*	
	2013 *KD*	*2012* *KD*	*2013* *KD*	*2012* *KD*
Kuwaiti Dinars	**14,259,800**	18,412,000	**620,415**	1,190,415
UAE Dirhams	**472,029**	450,914	-	-
US Dollars	**7,722,092**	-	**10,454,350**	-
Qatari Riyals	**1,222,134**	1,393,328	**58,208**	524,948
	23,676,055	20,256,242	**11,132,973**	1,715,363

Loans and borrowings carry interest at commercial rates.

Loans and borrowings of KD 1,280,415 (2012: KD 2,180,394) are secured against certain property, plant and equipment (Note 3).

12 TRADE AND OTHER PAYABLES

	2013 *KD*	*2012* *KD*
Trade payable	**15,463,206**	14,528,296
Accrued expenses	**5,659,360**	4,944,425
Other payables	**1,339,617**	2,093,854
Advance from customers	**268,713**	76,226
	22,730,896	21,642,801

13 SHARE CAPITAL AND RESERVES

a) Share capital

	2013 *KD*	*2012* *KD*
Authorised, issued and fully paid up in cash:		
198,000,000 (2012: 198,000,000) shares of 100 (2012: 100) fils	**19,800,000**	19,800,000

b) Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital.

Distribution of the statutory reserve up to the amount equivalent to 50% of paid up share capital is limited to the amount required to enable the payment of a dividend of up to 5% of paid up share capital in years when accumulated profits are not sufficient for the payment of such dividend. During the year, the Board of directors have resolved to transfer only such amount of profits that will equal statutory reserve to 50% of the paid up capital.

c) Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration is required to be transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution in General Assembly of the Parent Company's shareholders upon a recommendation by the Board of Directors. Voluntary reserve is available for distribution. During the year, the Board of directors have resolved to transfer only such amount of profits that will equal voluntary reserve to 50% of the paid up capital.

14 OTHER INCOME

	2013 *KD*	*2012* *KD*
Write back of provision no longer required	**642,511**	-
Gain on disposal of an investment in an associate (Note 5)	**1,289,437**	-
Rental income	**652,753**	133,088
Gain on disposal of property, plant and equipment (Note 9)	**2,155,438**	1,655,532
Other income	**725,828**	1,709,528
Foreign exchange gain	**105,648**	251,024
	5,571,615	3,749,172

15 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2013 *KD*	*2012* *KD*
Staff costs	**19,684,614**	17,561,029
Rental – operating leases	**2,967,138**	2,443,662
Allowance for obsolete and slow moving inventories (Note 8)	**971,713**	132,389
Inventories recognised as expense upon sale of goods and rendering services	**98,995,089**	95,164,360

16 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	2013	*2012*
	KD	*KD*
Profit for the year	**10,433,729**	8,930,869
	Shares	*Shares*
Weighted average number of issued and paid-up shares, outstanding during the year	**198,000,000**	198,000,000
Basic and diluted earnings per share	**52.70 Fils**	45.11 Fils

There are no potential dilutive shares.

17 BUSINESS COMBINATION

On 31 January 2013, the Parent Company acquired 51% equity interest of Al Wazzan Foodstuffs Factory L.L.C. ("Snack Factory" or the "subsidiary"), a company incorporated in the United Arab Emirates (U.A.E.) from a related party. Principal activities of Snack Factory are manufacturing and trading in foodstuffs.

The consideration paid and the provisional fair values of the assets acquired and liabilities assumed as, at the acquisition date, and non-controlling interests measured at the fair value, are summarised as follows:

	KD
Assets:	
Property, plant and equipment	3,401,299
Trade and other receivables	313,557
Inventories	260,508
Due from related parties	2,125,581
Bank balances and cash	37,997
	6,138,942
Liabilities:	
Employees' end of service benefits	21,862
Trade and other payables	64,350
Due to related parties	1,830,262
	1,916,474
Total identifiable net assets at provisional fair values	**4,222,468**
Consideration payable	**1,032,094**
Non-controlling interest in a subsidiary recognised at fair value	**948,374**
Gain on bargain purchase	**2,242,000**
Consideration paid	-
Cash and cash equivalents in a subsidiary acquired	37,997
Cash inflow on acquisition	**37,997**

17 BUSINESS COMBINATION (continued)

The above mentioned subsidiary has been consolidated based on the provisional fair values assigned to the identifiable assets and liabilities as on the acquisition date, since the management is in the process of determining the fair values of assets acquired and liabilities assumed. The management of the Parent Company has recognised the non-controlling interests in Snack Factory at the fair value in accordance with IFRS 3: *Business Combination*. The fair value of the non-controlling interest is calculated using the average of discounted cash flow method and market multiple approach. Further, management has considered discount for the lack of control and illiquidity discount as the management considers that these discounts will be considered by market participants to value such investment.

The provisional gain on bargain purchase of KD 2,242,000 on acquisition of Snack Factory is recognised in the consolidated statement of income.

From the date of acquisition, Snack Factory has contributed KD 2,388,848 of revenue and KD 366,081 to profit before tax and board of directors' remuneration of the Group. If the combination had taken place at the beginning of the year, revenue would have been KD 2,640,256 and the profit before tax and board of directors' remuneration of the Group would have been KD 414,962.

18 CONTINGENCIES AND COMMITMENTS

(a) Contingencies:

As at the reporting date, the Group had the following contingent liabilities in respect of letter of guarantee and letter of credit granted by banks from which it is anticipated that no material liabilities will arise:

	2013 *KD*	*2012* *KD*
Letters of guarantee	**9,522,527**	9,035,346
Letters of credit	**1,274,721**	816,879
	10,797,248	9,852,225

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods and performance guarantees.

Legal claims
In addition to the above, the Group is involved in various incidental claims and legal proceedings matters. The legal counsel of the Group believes that these matters will not have a material adverse effect on the accompanying consolidated financial statements.

(b) Commitments:

	2013 *KD*	*2012* *KD*
Capital expenditure commitments		
Future estimated capital expenditure contracted for at the reporting date:		
Property, plant and equipment	**5,042,435**	2,351,729
Operating lease commitments:		
Future minimum lease payments:		
Within one year	**1,663,378**	2,443,662
After one year but not more than five years	**959,486**	1,313,865
Total operating lease expenditure contracted for at the reporting date	**2,622,864**	3,757,527

19 SEGMENTAL INFORMATION

For management reporting purposes, the Parent Company is organised into two major operating segments based on internal reporting provided to the chief operating decision maker. The Parent Company does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

Food	:	Food segment includes all the businesses of the Group that relates to the food industry including food and beverages wholesale trading, manufacturing, retail and contract catering. The segment deals in a variety of products namely meat products, cakes, biscuits, potato chips, snacks, fruits, vegetables, ready meals, canned food products, dairy products, water and confectionaries.
Non - Foods	:	Non-food segment includes a range of activities. This segment includes trading of personal care, consumer and household products, medicine trading and retail, a lube oil plant and plastic products manufacturing.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments. Taxation and Board of Directors' remuneration are managed on an overall basis and are not allocated to individual business segments.

The following table presents information regarding the Group's operating segments.

	31 December 2013					
	Food KD	*Non-Food KD*	*Unallocated KD*	*Total segment KD*	*Adjustment and eliminations*	*Total KD*
Total revenue	94,837,960	52,357,934	-	147,195,894	**(5,877,420)**	**141,318,474**
Segment profit before taxation and board of directors' remuneration	10,275,394	611,138	2,420,216	13,306,748	-	**13,306,748**
Total assets	85,390,825	51,414,767	17,862,023	154,667,615	-	**154,667,615**
Total liabilities	21,224,720	7,564,101	43,646,550	72,435,371	-	**72,435,371**
Other disclosures						
Depreciation and amortisation	2,908,739	808,305	438,669	4,155,713	-	**4,155,713**
Investment in associates	-	-	944,864	944,864	-	**944,864**
Capital expenditure	6,823,727	789,202	338,783	7,951,712	-	**7,951,712**

19 SEGMENTAL INFORMATION (continued)

	31 December 2012					
	Food KD	*Non-Food KD*	*Unallocated KD*	*Total segment KD*	*Adjustment and eliminations*	*Total KD*
Total revenue	93,271,792	53,646,262	-	146,918,054	(7,523,748)	139,394,306
Segment profit before taxation and board of directors' remuneration	8,657,332	1,209,769	1,786,003	11,653,104	-	11,653,104
Total assets	74,542,026	54,104,205	11,212,136	139,858,367	-	139,858,367
Total liabilities	19,800,426	9,378,483	36,503,099	65,682,008	-	65,682,008
Other disclosures						
Depreciation and amortisation	2,190,644	1,388,513	268,002	3,847,159	-	**3,847,159**
Investment in associates	-	-	5,703,726	5,703,726	-	**5,703,726**
Capital expenditure	4,860,828	10,877,601	160,967	15,899,396	-	**15,899,396**
Impairment of property, plant and equipment	617,373	513,069	-	1,130,442	-	**1,130,442**

20 PROPOSED DIVIDENDS

The Board of Directors of the Parent Company recommended a cash dividend of KD 4,850,000 (2012: KD 5,600,000) in respect of the year ended 31 December 2013,which is subject to approval by the shareholders at the Annual General Assembly of the Parent Company.

Dividends for 2012 were approved at the Annual General Assembly of the shareholders held on 11 September 2013 and as a result KD 4,680,000 was paid during the year. Balance of KD 920,000 is included in due to related parties (Note 9).

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. They are monitored through the Group's strategic planning process.

The Group's principal financial liabilities comprise bank overdrafts, trade and other payables, loan and borrowings and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, due to related parties, trade receivables and financial assets available for sale which arise directly from its operations.

The management of the Group is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The management of the Group reviews and agrees policies for managing each of these risks which are summarised below.

21.1 Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade and other receivables, amounts due from related parties and financial assets available for sale.

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure is the carrying amount as disclosed in Note 7. The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2013 and 31 December 2012.

The Group sells its products and renders services to a large number of customers. Its 5 largest customers account for 28% of outstanding trade receivables at 31 December 2013 (2012: 27%).

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

21.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by ensuring that bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments. The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of sale/rendering services, unless otherwise covered by a specific contract or agreement. The Group's terms of trade with its principal suppliers generally require the amounts to be paid within periods ranging from 30 to 60 days from the date of purchase unless otherwise covered by specific contract or agreement. The maturity profile is monitored by Group's management to ensure adequate liquidity is maintained.

Liquidity risk is managed by the finance department of the Parent Company. To manage this risk, the Group invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by finance department to ensure adequate liquidity is maintained.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2013	*On demand KD*	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Loans and borrowings	-	**1,296,632**	**22,471,686**	**11,386,367**	**35,154,685**
Trade and other payables	-	**22,730,896**	-	-	**22,730,896**
Due to related parties	**2,740,501**	-	-	-	**2,740,501**
Bank overdrafts	**8,817,818**	-	-	-	**8,817,818**
Total undiscounted liabilities	**11,558,319**	**24,027,528**	**22,471,686**	**11,386,367**	**69,443,900**
Commitments	-	**1,159,468**	**2,132,967**	**1,750,000**	**5,042,435**

2012	*On demand KD*	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Loans and borrowings	-	593,622	20,534,134	1,755,493	22,883,249
Trade and other payables	-	15,228,884	6,270,652	143,265	21,642,801
Due to related parties	2,135,162	971,821	2,400,000	2,400,000	7,906,983
Bank overdrafts	10,703,572	-	-	-	10,703,572
Total undiscounted liabilities	12,838,734	16,794,327	29,204,786	4,298,758	63,136,605
Commitments	-	1,058,229	1,293,500	-	2,351,729

21.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

21.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank overdrafts and loans and borrowings with floating interest rates.

The Group's policy is to manage its interest cost by availing competitive credit facilities from the local and regional financial institutions and constantly monitoring interest rate fluctuations.

Based on the Group's financial assets and liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would equally impact the Group's profit before contribution to KFAS, Zakat and Board of Directors' remuneration as follows:

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3.1 Interest rate risk (continued)

Currency	*Increase of 25 basis points* *Decrease in profit before KFAS, Zakat and Board of Director's remuneration*	
	2013	*2012*
	KD	*KD*
Kuwaiti Dinar	**(56,572)**	(66,694)
US Dollar	**(45,441)**	-
Qatari Riyals	**(4,334)**	(9,035)
U.A.E. Dirhams	**(2,703)**	(751)

The decrease in the basis points will have an opposite impact on the net interest income. There is no direct impact on the Group's other comprehensive income.

21.3.2 Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The Group is mainly exposed to foreign currency risk on its trade receivables, trade accounts payables denominated in foreign currencies and net investment in foreign operations.

The table below analyses the effect on profit before contribution to KFAS, Zakat and Board of Director's remuneration (due to change in the fair value of monetary assets and liabilities) and other comprehensive income of an assumed 5% strengthening in the value of the currency rate against the KD from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or other comprehensive income, whereas a positive amount reflects a net potential increase.

Currency	*Change in currency rate by + 5%* *Effect on profit before KFAS, Zakat and Board of Director's remuneration*	
	2013	*2012*
	KD	*KD*
U.A.E. Dirhams	**64,859**	(10,933)
Euro	**2,570**	9,070
British Pound	**(8,959)**	10,028
Saudi Riyals	**(43,607)**	70,414
US Dollars	**(117,560)**	147,381

An equivalent weakening in each of the abovementioned currencies against the KD would result in an equivalent but opposite impact.

21.3.3 Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. The Group manages this through diversification of investments in terms of industry concentration. Financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets available for sale.

The Group has unquoted financial assets available for sale which are carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.4 Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not exposed to significant prepayment risk.

21.5 Operation risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, trade and other receivables, bank balances and cash and due from related parties. Financial liabilities consist of bank overdrafts, loans and borrowing, trade and other payables and due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

The fair values of financial instruments, except unquoted equity securities carried at cost, are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to variable rate financial instruments.

23 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the net fair values of derivative financial instruments, together with the notional amounts analysed by maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk.

				Notional amounts by term to maturity	
31 December 2013	*Positive fair value KD*	*Negative fair value KD*	*Notional amount KD*	*Up to 3 months KD*	*3-12 months KD*
Forward foreign exchange contracts	13,171	(14,471)	**8,960,145**	**6,474,500**	**2,485,645**

There were no outstanding forward foreign exchange contracts as at 31 December 2012. The forward foreign exchange contracts are fair valued using valuation technique as described in note 2 above and are classified under level 2 fair value hierarchy.

24 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. The Group monitors capital at the level of the Parent Company and at each of the subsidiaries.

Based on considerations of various stakeholders, capital at the Parent Company is monitored in terms of debt/equity ratio, which is net debt divided by total capital plus net debt. The Parent Company includes within net debt, loans and borrowings and bank overdrafts less bank balances and cash. Total capital represents total equity attributable to the equity holders of the Parent Company.

	2013 *KD*	*2012* *KD*
Loans and borrowings	**34,809,028**	21,971,605
Bank overdrafts	**8,817,818**	10,703,572
Less: Bank balances and cash	**(14,950,567)**	(3,648,727)
Net debt	**28,676,279**	29,026,450
Equity attributable to the equity holders of the Parent Company	**70,747,244**	65,826,469
Total capital plus net debt	**99,423,523**	94,852,919
Debt/equity ratio (%)	**28.8%**	30.6%

Each subsidiary of the Group is responsible for its own capital management and maintains a level of capital that is adequate to support its business and financial exposures.

25 SUBSEQUENT EVENT

In October 2013, the Parent Company signed a Sale and Purchase agreement ("SPA") to acquire 100% equity interest in UNITRA International L.L.C. ("UNITRA") and Middle East Trading Store L.L.C. ("MET") (collectively referred to as "acquiree companies"), companies incorporated in United Arab Emirates (U.A.E.). The management of the Parent Company concluded that the Parent Company did not obtain control over the acquiree companies as defined under IFRS 10 as at the reporting date because certain conditions laid down in the SPA were not met. Subsequent to the reporting date, the conditions laid down in the SPA have been met and consequently the Parent Company has obtained control over the acquiree companies.

The financial effect on the consolidated financial statements is described as below:

	UNITRA *KD*	*MET* *KD*	***Total*** ***KD***
Total assets	10,364,310	970,426	**11,334,736**
Total liabilities	(6,992,496)	(710,730)	**(7,703,226)**
Total identifiable net assets at provisional fair values	3,371,814	259,696	**3,631,510**
Provisional goodwill			**7,049,021**

The aggregate of the total identifiable net assets at provisional fair values and provisional goodwill represents fair value of the consideration transferred on the above acquisition.

The purchase consideration before the financial reporting date was deposited into an 'Escrow account' and is considered as restricted bank balance (Note 10).

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

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EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mezzan Holding Company K.S.C. (Closed) (the "Parent Company") and subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT THE SHAREHOLDERS OF MEZZAN HOLDING COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL-OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

9 February 2015
Kuwait

	Notes	2014 KD	2013 KD
ASSETS			
Non-current assets			
Property, plant and equipment	3	**65,348,325**	57,633,455
Intangible assets	4	**11,879,790**	2,205,073
Investment in associates	5	**983,559**	944,864
Investment properties	6	**-**	1,565,718
Financial assets available for sale		**763,423**	763,423
		78,975,097	63,112,533
Current assets			
Trade and other receivables	7	**46,351,457**	44,329,459
Inventories	8	**33,275,002**	31,332,050
Due from related parties	9	**54,913**	943,006
Bank balances and cash	10	**5,168,163**	14,950,567
		84,849,535	91,555,082
TOTAL ASSETS		**163,824,632**	154,667,615
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		**3,987,982**	3,337,128
Loans and borrowings	11	**6,362,178**	11,132,973
Due to related parties	9	**600,000**	-
		10,950,160	14,470,101
Current liabilities			
Loans and borrowings	11	**24,587,610**	23,676,055
Trade and other payables	12	**33,711,600**	22,730,896
Due to related parties	9	**1,423,859**	2,740,501
Bank overdrafts	10	**4,492,424**	8,817,818
		64,215,493	57,965,270
TOTAL LIABILITIES		**75,165,653**	72,435,371
NET ASSETS		**88,658,979**	82,232,244
EQUITY			
Share capital	13	**29,650,000**	19,800,000
Statutory reserve	13	**11,406,071**	9,900,000
Voluntary reserve	13	**11,406,071**	9,900,000
Retained earnings		**34,179,265**	31,327,033
Foreign currency translation reserve		**(161,559)**	(179,789)
Fair value reserve		**38,568**	-
Equity attributable to equity holders of the Parent Company		**86,518,416**	70,747,244
Non-controlling interests		**2,140,563**	11,485,000
TOTAL EQUITY		**88,658,979**	82,232,244

Khalid Al Wazzan
(Chairman)

Mohammed Jassim Al Wazzan
(Vice Chairman)

The attached notes 1 to 25 form part of these consolidated financial statements.

	Notes	2014 KD	2013 KD
Revenue		**182,503,747**	142,376,724
Cost of revenue		**(136,617,348)**	(111,187,239)
GROSS PROFIT		**45,886,399**	31,189,485
Operating expenses			
General and administrative expenses		**(12,335,033)**	(12,024,232)
Selling and distribution expenses		**(17,592,945)**	(11,663,663)
Other income	14	**2,224,075**	4,513,365
Operating profit		**18,182,496**	12,014,955
Share of results of associates	5	**54,892**	116,622
Finance costs		**(1,058,866)**	(1,066,829)
Impairment of property, plant and equipment	3	**(806,254)**	-
Gain on bargain purchase	17	**-**	2,242,000
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		**16,372,268**	13,306,748
Contribution to KFAS		**(135,546)**	(88,174)
Zakat		**(147,377)**	(124,734)
Board of Directors' remuneration	9	**(25,000)**	(25,000)
PROFIT FOR THE YEAR	15	**16,064,345**	13,068,840
Attributable to:			
Equity holders of the Parent Company		**14,752,784**	10,433,729
Non-controlling interests		**1,311,561**	2,635,111
		16,064,345	13,068,840
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	16	**49.76 Fils**	35.19 Fils

The attached notes 1 to 25 form part of these consolidated financial statements.

	2014 *KD*	*2013* *KD*
Profit for the year	**16,064,345**	13,068,840
Other comprehensive income (loss):		
Other comprehensive income (loss) to be reclassified to consolidated profit or loss in subsequent periods		
Share of associate's fair value reserve	**38,568**	-
Foreign currency translation adjustment	**13,515**	(12,278)
Foreign currency translation adjustment recycled to income statement on disposal of an associate	**-**	102,934
Net other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods	**52,083**	90,656
Total comprehensive income for the year	**16,116,428**	13,159,496
Attributable to:		
Equity holders of the Parent Company	**14,809,582**	10,520,775
Non-controlling interests	**1,306,846**	2,638,721
	16,116,428	13,159,496

The attached notes 1 to 25 form part of these consolidated financial statements.

	Notes	2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the year		**16,064,345**	13,068,840
Adjustments for:			
Depreciation	3 & 6	**4,318,825**	4,016,971
Amortisation and impairment of intangible assets	4	**256,601**	177,706
Provision for employees' end of service benefits		**932,135**	452,401
(Reversal of) allowance for obsolete and slow moving inventories	15	**(179,525)**	971,713
Allowance for bad and doubtful debts	7	**384,571**	1,285,085
Share of results of associates	5	**(54,892)**	(116,622)
Gain on bargain purchase	17	**-**	(2,242,000)
Impairment of property, plant and equipment	3	**806,254**	-
Gain on disposal of investment in an associate		**-**	(1,289,437)
Gain on disposal of property, plant and equipment	14	**(309,719)**	(2,155,438)
Gain on disposal of an investment property	9	**(952,964)**	
Finance costs		**1,058,866**	1,066,829
Foreign exchange gain	14	**(602,707)**	(105,648)
		21,721,790	15,130,400
Working capital changes:			
Trade and other receivables		**845,607**	(1,503,292)
Inventories		**(437,642)**	(859,320)
Net movement in amount due from / to related parties		**(759,229)**	(3,700,735)
Trade and other payables		**6,796,509**	1,023,746
Cash from operations		**28,167,035**	10,090,799
Employees' end of service benefits paid		**(643,057)**	(593,382)
Net cash from operating activities		**27,523,978**	9,497,417
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	**(10,984,716)**	(7,589,365)
Proceeds from disposal of property, plant and equipment		**474,641**	109,136
Proceeds from disposal of an investment property	6	**2,500,000**	-
Purchase of intangible assets	4	**(474,952)**	(362,347)
Proceeds from disposal of investment in an associate		**-**	4,501,928
Decrease (increase) in restricted balances with banks	10	**10,479,875**	(10,479,875)
Net cash (outflow) inflow on acquisition of subsidiaries	17	**(9,845,372)**	37,997
Net cash (outflow) on acquisition of shares in subsidiaries	18	**(648,329)**	-
Dividend income received from associates		**54,765**	279,832
Net cash used in investing activities		**(8,444,088)**	(13,502,694)
FINANCING ACTIVITIES			
Net movement in loans and borrowings		**(4,905,234)**	12,837,423
Dividends paid to equity holders of Parent Company		**(5,770,000)**	(4,680,000)
Dividends paid to non-controlling interests		**(2,340,684)**	(471,913)
Finance costs paid		**(1,058,866)**	(1,066,829)
Net cash (used in) from financing activities		**(14,074,784)**	6,618,681
Effect of foreign currency translation		**17,759**	94,315
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,022,865**	2,707,719
Cash and cash equivalents at 1 January		**(4,347,126)**	(7,054,845)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**675,739**	(4,347,126)

The attached notes 1 to 25 form part of these consolidated financial statements.

	Attributable to equity holders of the Parent Company								
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Retained Earnings KD*	*Foreign currency translation reserve KD*	*Fair value reserve KD*	*Sub Total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2013	19,800,000	8,933,515	8,933,515	28,426,274	(266,835)	-	65,826,469	8,349,890	74,176,359
Profit for the year	-	-	-	10,433,729	-	-	10,433,729	2,635,111	13,068,840
Other comprehensive income	-	-	-	-	87,046	-	87,046	3,610	90,656
Total comprehensive income for the year	-	-	-	10,433,729	87,046	-	10,520,775	2,638,721	13,159,496
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	948,374	948,374
Arising on establishment of a subsidiary	-	-	-	-	-	-	-	19,928	19,928
Transfer to reserves	-	966,485	966,485	(1,932,970)	-	-	-	-	-
Dividends	-	-	-	(5,600,000)	-	-	(5,600,000)	-	(5,600,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(471,913)	(471,913)
As at 31 December 2013	19,800,000	9,900,000	9,900,000	31,327,033	(179,789)	-	70,747,244	11,485,000	82,232,244
Profit for the year	-	-	-	14,752,784	-	-	14,752,784	1,311,561	16,064,345
Other comprehensive income	-	-	-	-	18,230	38,568	56,798	(4,715)	52,083
Total comprehensive income for the year	-	-	-	14,752,784	18,230	38,568	14,809,582	1,306,846	16,116,428
Issue of bonus shares	9,850,000	-	-	(9,850,000)	-	-	-	-	-
Ownership changes in subsidiaries (Note 18 (i))	-	-	-	(51,421)	-	-	(51,421)	(396,908)	(448,329)
Ownership changes in subsidiaries (Note 18 (ii))	-	-	-	5,863,011	-	-	5,863,011	(7,063,011)	(1,200,000)
Transfers to reserves	-	1,506,071	1,506,071	(3,012,142)	-	-	-	-	-
Dividends (Note 21)	-	-	-	(4,850,000)	-	-	(4,850,000)	-	(4,850,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(3,191,364)	(3,191,364)
As at 31 December 2014	**29,650,000**	**11,406,071**	**11,406,071**	**34,179,265**	**(161,559)**	**38,568**	**86,518,416**	**2,140,563**	**88,658,979**

The attached notes 1 to 25 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Mezzan Holding Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively the "Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 9 February 2015 and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend the consolidated financial statements after issuance.

The Parent Company is a closed shareholding company registered and incorporated as a holding company in Kuwait on 3 August 1999. The registered office of the Parent Company is Building number 287, Area number 1, Aradiya, Kuwait. The principal activities of the Group are explained in note 2.4.

The principal activities of the Parent Company as per the Articles of Association are as follows:

a) Holding shares of Kuwaiti or foreign stock companies as well as holding shares or portions in limited liability companies whether Kuwaiti or foreign, or participating in establishing these companies with their types and managing them and sponsoring them at others.
b) Giving loans to companies in which this company holds shares and sponsoring them. In this case it is necessary that the participation ratio of the Parent company in the capital of the borrowing company should not be less than 20%.
c) Owning the intellectual property including patents, trademarks, industrial fees or any other rights related to them and leasing them to other companies to make use of them inside and outside Kuwait.
d) Holding movable or real estate necessary to carry out its activities within the limits allowed by law.
e) The Parent Company may have an interest or participate in any manner with bodies performing activities similar to its own or which may assist it achieve its purpose inside or outside Kuwait and it may establish or participate or buy such corporations or attach them to itself.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis modified to include the measurement at fair value of financial assets available for sale and derivative financial instruments.

Functional and presentation currency
The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also functional currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended IFRS during the year:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the consolidated financial statements of the Group nor the Parent Company, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments are not relevant to the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the year. These amendments have no material impact on the Group's consolidated financial statements.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

IFRS 9: Financial Instruments: Classification and Measurement
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's financial statements, when adopted.

IFRS 15 Revenue from contracts with customers
The standard was issued in May 2014 and specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2017 and will replace mainly IAS 11 "Construction Contract", and IAS 18 "Revenue Recognition". The standard is not expected to have any impact on the financial position or performance of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statement includes the financial statements of the Parent Company and its subsidiaries. The subsidiaries of the Group are as follows:

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*		*Principal activity*
		2014	*2013*	
Conserved Foodstuff Distribution Company W.L.L. [1]	Kuwait	**99.99%**	99%	Manufacturing and whole sale distribution of meat products and general trading in food stuff
Al Sabriya International General Trading Company W.L.L. [1]	Kuwait	**99.88%**	99%	General trading and contracting activities
Al Muntaser Pharmaceutical Company W.L.L. [1]	Kuwait	**99.99%**	99%	Whole sale and retail trade of cosmetics, medicines and other consumer items
Jassim Al Wazzan Sons General Trading Company W.L.L. [1]	Kuwait	**99.99%**	99%	Whole sale and retail trade of food stuff
Al Hoda Kuwaiti Foodstuff Company W.L.L. [1]	Kuwait	**99.98%**	99%	Exporting ,importing and trading of all kind of food stuff
Al Mansouria Consumer Trading Company W.L.L. [1]	Kuwait	**99.94%**	99%	Trading of household goods and cleaning materials
Al Wazzan Trading and Catering Services Company W.L.L. [1]	Kuwait	**99.99%**	99%	Providing catering services and general trading
National Canned Food Production and Trading Company W.L.L. [1]	Kuwait	**99.99%**	99%	Manufacturing and trading of all kinds of food stuffs
Oriental for Catering Services Company W.L.L. [1]	Kuwait	**99.98%**	99%	Exporting ,importing and trading of all kind of food stuff
Mezzan Industries Company W.L.L[1]	Kuwait	**99.98%**	99%	Manufacturing of Paper and nylon products
Kuwait Lube Oil Company K.S.C. (Closed)	Kuwait	**93.66%**	93.66%	Recycling and trading of oil, lubricants and related products
Arla Food Kuwait W.L.L.	Kuwait	**51%**	51%	Importing and trading of all kind of dairy products

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Name of company	*Country of incorporation*	*Legal ownership interest at 31 December*		*Principal activity*
		2014	*2013*	
Plastic Industries Company K.S.C. (Closed)	Kuwait	**55.58%**	55.58%	Manufacturing and trading of household goods
Kuwait Biscuit and Food Products Manufacturing Company W.L.L.("KBC') [1]	Kuwait	**99.99%**	51%	Manufacturing and trading of biscuits and related products
Gulf Pastries Manufacturing Company W.L.L. ("GPM') [1]	Kuwait	**99.98%**	51%	Manufacturing and sale of pastries and cakes
Kuwait Indo Trading Company W.L.L.("KITCO') [1]	Kuwait	**99.99%**	51%	Manufacturing and sale of food stuff
Mezzan Logistics for Transport and Storage Company K.S.C. (Closed) [2]	Kuwait	**96%**	96%	Logistics services and storage facilities
Emirates Star Services L.L.C. [1]	U.A.E.	**99%**	90%	Providing catering services and running restaurants
Qatar Star Services L.L.C. [3]	Qatar	**50%**	50%	Providing catering and cleaning services
Mezzan Saudi Trading Company L.L.C. [3]	Saudi Arabia	**100%**	100%	Manufacturing and whole sale distribution of meat products and general trading in food stuff
Mezzan Jordan Industries L.L.C.	Jordan	**100%**	100%	Manufacturing, whole sale and retail trade of cosmetics and other consumer items
Afia Trading Services FZE	U.A.E.	**100%**	100%	Trading in food services and providing related services
Al Wazzan Foodstuffs Factory L.L.C. [1]	U.A.E.	**99%**	51%	Manufacturing and trading of food stuffs
Tazweed Commercial Solutions Company P.S.C. [4]	Jordan	**50%**	50%	Providing catering and retail services
UNITRA International L.L.C. (Note 17) [2]	U.A.E.	**99.67%**	-	Trading of food and beverages
Middle East Trading Store L.L.C. (Note 17) [2]	U.A.E.	**99.67%**	-	Trading of food and beverages

The Parent Company also has branches in Qatar (Conserved Foodstuffs Distributing Company W.L.L. – Qatar branch) and Kingdom of Saudi Arabia (Conserved Foodstuff Distribution Factory Company – KSA branch). In addition, the Group owns a sole proprietorship concern (Khazan Meat Factory) in United Arab Emirates.

[1] During the year, the Parent Company has acquired additional equity interest from related parties [Note 9 and Note 18 (i) and (ii)]. The remaining shares are held by a subsidiary included within the Group and therefore the effective holding of the Group in these subsidiaries is 100%.

[2] The remaining shares are held by subsidiaries included within the Group and therefore the effective holding of the Group in these subsidiaries is 100%.

[3] The remaining shares in these subsidiaries are held by the other partner on behalf of the Parent Company. Therefore, the effective holding of the Group in these subsidiaries is 100%.

[4] As per the terms of the incorporation, the Parent Company is entitled to receive 80% of share of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge Accounting

The Group makes use of financial instruments including borrowings to manage its foreign currency risks arising from net investments in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. A hedge is regarded as highly effective if the changes in the value of hedged item are offset by the changes in the value of hedging instruments between 80% and 125%.

Hedges of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of income.

During the year, the Group has designated certain loans as hedging instruments for its exposure to foreign exchange risk on its net investments in foreign subsidiaries.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold and leasehold land and capital work-in-progress are not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	5 to 30 years
Plant and machinery	3 to 15 years
Tools and spare parts	2 to 5 years
Motor vehicles	5 to 7 years
Furniture, fixtures, office and computer equipment	3 to 8 years

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for the intended use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Goodwill
Accounting policy relating to goodwill is documented in the accounting policy "Business combinations and goodwill".

Key money
Key money represents amounts paid in securing operating leases for the Group's branches. Key money is amortised over the term of lease contract or treated as an indefinite life asset (depending on the nature of the key money).

License fee
The license is assumed to have an indefinite useful life and is subject to impairment testing on at least an annual basis.

Computer software
Computer software is amortised over a period of 8 years which is determined to be the expected period over which benefit is derived from use of the software.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, except for reversal of impairment loss recognised for goodwill which is not reversed in a subsequent period, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee, but not control or joint control over those policies. The Group's investment in its associates, are accounted for using the equity method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
Under the equity method, investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of associates is shown in the consolidated statement of income and represents profit or loss after tax and excluding non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Impairment loss on an associate' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and impairment, if any.

Investment properties are depreciated as follows;

Land	Not depreciated
Building	5 to 30 years

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Financial instruments - classification, measurement, recognition, de-recognition and offsetting

Classification
The Group classifies its financial instruments as "financial assets available for sale", "loans and receivables", "loans and borrowings" and "liabilities other than at fair value through profit or loss". Management determines the appropriate classification of each financial instrument at the time of initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and measurement of financial assets and liabilities
The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

All financial assets are initially recognised at fair value plus, in the case of investments not at fair value, through profit or loss, directly attributable transaction costs.

All financial liabilities are initially measured at fair value of the consideration given plus transaction costs.

Financial assets available for sale
Financial assets available for sale comprise equity securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

These are financial assets principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. Available for sale investments are initially measured at fair value (transaction price) plus directly attributable transaction costs. After initial recognition, available for sale investments are remeasured at fair value. Unrealised gains and losses on remeasurement to fair value are reported as other comprehensive income and included in the cumulative changes in fair value reserve until the investment is sold or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment, if any.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using effective interest method less any provision for impairment. In the consolidated statement of financial position "trade receivables" "bank balances and cash" and "due from related parties" are classified as "loan and receivables".

Accounts receivable are stated at original invoice amount less impairment for any uncollectible amounts. An estimate for doubtful debts is made when collection of part of or the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Derivative financial instruments
The Group uses forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to loan settlement and purchases of inventory from overseas suppliers. These are included in the consolidated statement of financial position at fair value and any resultant gain or loss is recognised in the consolidated statement of income. The fair values of these derivatives are included in "other receivables" in case of positive fair value and "other payables" in case of negative fair value.

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'Trade and other payables'.

Financial liabilities other than at fair value through profit and loss
These are financial liabilities other than those designated at fair value through profit and loss. These include trade and other payables.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities
A financial asset (in whole or in part) is derecognised either when: (i) the rights to receive the cash flows from the asset have expired or (ii) the Group has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of income.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

Impairment and uncollectibility of financial assets
An assessment is made at each reporting date to determine, whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. A financial asset, or a group of financial assets are impaired if there is any objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of income.

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows, discounted at the current market rate of return for a similar financial asset;
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for investments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of financial assets classified as available for sale are recognised in other comprehensive income.

Fair values
Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset, or transfer the liability, takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and short term deposits which mature within three months from inception, net of outstanding bank overdrafts.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Goods for resale	purchase cost on a weighted average basis.
Raw materials, packing materials and consumables	purchase cost on a weighted average basis.
Finished goods and work-in-progress	cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Goods in transit	purchase cost incurred up to the reporting date

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The computation of the benefits is based upon the employees' final salary, length of service, historical termination and resignation rate. The computed amount is discounted using weighted average cost of capital of the Group to the present value of such obligation subject to the completion of a minimum service period. The obligation as calculated and the expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to social security scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of income, all differences are recognised in the consolidated statement of income.

Group Companies
Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences arising on translation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services
Revenue from rendering of services is recognised when related services are provided.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance and is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Significant accounting judgments and estimates
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to the following:

Impairment of trade receivables
An estimate of the collectible amount of trade accounts receivable and retentions is made when collection of part of or the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment
A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)
Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments.
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of intangible assets (with indefinite life)
The Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of intangible assets with indefinite lives at 31 December 2014 were KD 10,732,978 (2013: KD 1,492,987). More details are given in Note 4.

Impairment of financial assets available for sale
The Group treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires considerable judgment.

Provision for employees' end of service benefits
The Group's management performs a detailed review of the provision for employees' end of service benefits considering the expected pattern of the future obligations based on historical termination and resignation rates. Management reviews the future obligations annually and would be adjusted where the management believes the previous estimates are required to be adjusted.

Material non-controlling interests
The Group's management considers any non-controlling interests which accounts for over 5% of the total equity of the Group as material. As at the reporting date, none of the non-controlling interests accounts for over 5% of the total equity. Hence, no disclosures are considered necessary.

As at 31 December 2014

3 PROPERTY, PLANT AND EQUIPMENT

	Freehold land KD	*Leasehold land KD*	*Buildings KD*	*Plant and machinery KD*	*Tools and spare parts KD*	*Motor vehicles KD*	*Furniture, fixtures, office and computer equipment KD*	*Capital work-in-progress KD*	***Total KD***
Cost:									
As at 1 January 2014	11,877,820	5,753,146	37,568,427	40,491,222	2,302,220	8,511,534	7,097,778	1,505,342	115,107,489
Arising on acquisition of subsidiaries (Note 17)	-	-	67,189	-	-	24,559	272,547	32,029	396,324
Additions	2,222,611	21,000	402,308	1,087,085	77,094	532,559	554,125	7,433,582	12,330,364
Disposals	-	-	(3,411)	(38,743)	-	(518,163)	(12,598)	-	(572,915)
Transfers	-	-	650,695	1,272,945	3,706	-	25,198	(1,952,544)	-
Transfer to intangible assets (Note 4)	-	-	-	-	-	-	-	(136,863)	(136,863)
Exchange differences	112,493	-	484,140	301,895	13,634	58,259	62,256	55,687	1,088,364
As at 31 December 2014	**14,212,924**	**5,774,146**	**39,169,348**	**43,114,404**	**2,396,654**	**8,608,748**	**7,999,306**	**6,937,233**	**128,212,763**
Depreciation and impairment:									
As at 1 January 2014	-	-	13,581,912	28,533,854	2,158,074	6,723,057	6,477,137	-	57,474,034
Arising on acquisition of subsidiaries (Note 17)	-	-	64,631	-	-	22,548	222,044	-	309,223
Charge for the year	-	-	1,306,213	1,980,881	68,526	524,591	419,932	-	4,300,143
Impairment	304,294	-	-	463,132	-	-	38,828	-	806,254
Relating to disposals	-	-	(69)	(29,701)	-	(366,427)	(11,796)	-	(407,993)
Exchange differences	-	-	122,232	160,860	11,328	38,195	50,162	-	382,777
As at 31 December 2014	**304,294**	**-**	**15,074,919**	**31,109,026**	**2,237,928**	**6,941,964**	**7,196,307**	**-**	**62,864,438**
Net carrying amount									
As at 31 December 2014	**13,908,630**	**5,774,146**	**24,094,429**	**12,005,378**	**158,726**	**1,666,784**	**802,999**	**6,937,233**	**65,348,325**

3 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land KD	*Leasehold land KD*	*Buildings KD*	*Plant and machinery KD*	*Tools and spare parts KD*	*Motor vehicles KD*	*Furniture, fixtures, office and computer equipment KD*	*Capital work-in-progress KD*	*Total KD*
Cost:									
As at 1 January 2013	10,447,912	3,861,146	25,537,542	36,517,629	2,252,332	8,120,117	6,733,428	9,821,807	103,291,913
Arising on acquisition of a subsidiary	769,617	-	3,013,030	1,197,004	-	123,943	40,737	20,824	5,165,155
Additions	662,498	1,892,000	248,685	1,855,605	50,670	653,597	388,415	1,837,895	7,589,365
Disposals	-	-	(212,320)	(145,394)	(63)	(389,624)	(63,366)	(93,862)	(904,629)
Transfers	-	-	9,043,435	1,078,631	-	8,014	-	(10,130,080)	-
Exchange differences	(2,207)	-	(61,945)	(12,253)	(719)	(4,513)	(1,436)	48,758	(34,315)
As at 31 December 2013	11,877,820	5,753,146	37,568,427	40,491,222	2,302,220	8,511,534	7,097,778	1,505,342	115,107,489
Depreciation:									
As at 1 January 2013	-	-	11,633,851	26,231,794	2,064,662	6,517,955	5,898,978	-	52,347,240
Arising on acquisition of a subsidiary	-	-	992,794	629,120	-	110,253	31,689	-	1,763,856
Charge for the year	-	-	1,079,744	1,787,055	94,518	471,478	562,049	-	3,994,844
Relating to disposals	-	-	(117,730)	(103,604)	(45)	(373,889)	(13,663)	-	(608,931)
Exchange differences	-	-	(6,747)	(10,511)	(1,061)	(2,740)	(1,916)	-	(22,975)
As at 31 December 2013	-	-	13,581,912	28,533,854	2,158,074	6,723,057	6,477,137	-	57,474,034
Net carrying amount									
As at 31 December 2013	11,877,820	5,753,146	23,986,515	11,957,368	144,146	1,788,477	620,641	1,505,342	57,633,455

Capital work-in-progress comprises the cost of assets acquired which are under construction and are not available for use as at the reporting date.

Leasehold land represents land leased from the Government of Kuwait for periods ranging from 1 to 20 years and the leases are renewable upon the expiry of the leases. The management expects these leases to be renewed indefinitely and therefore, the cost of the acquisition of such leases amounting to KD 5,774,146 (2013: KD 5,753,146) is not depreciated.

Property, plant and equipment with a net book value of KD 5,758,631 (2013: KD 6,046,595) are secured against certain loans and borrowings granted to the Group (Note 11).

3 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year was allocated as follows:

	2014 *KD*	*2013* *KD*
Cost of sales	**2,276,543**	2,106,319
Selling and distribution expenses	**393,287**	143,817
General and administrative expenses	**1,630,313**	1,737,606
Included in consolidated statement of income	**4,300,143**	3,987,742
Included in value of finished goods	-	7,102
	4,300,143	3,994,844

4 INTANGIBLE ASSETS

	Goodwill *KD*	*Key money* *KD*	*License fee* *KD*	*Computer software* *KD*	*Asset under development* *KD*	***Total*** ***KD***
Cost:						
As at 1 January 2014	624,825	313,200	1,040,000	1,294,468	-	3,272,493
Arising on acquisition of subsidiaries (Note 17)	8,955,198	-	-	-	-	8,955,198
Additions	-	79,000	-	130,887	265,065	474,952
Transfer from property, plant and equipment (Note 3)	-	-	-	-	136,863	136,863
Exchange differences	363,658	-	-	726	-	364,384
As at 31 December 2014	**9,943,681**	**392,200**	**1,040,000**	**1,426,081**	**401,928**	**13,203,890**
Amortisation and impairment:						
As at 1 January 2014	-	222,563	274,838	570,020	-	1,067,421
Charge for the year	-	21,624	-	156,112	-	177,736
Impairment	-	-	78,865	-	-	78,865
Exchange differences	-	-	-	78	-	78
As at 31 December 2014	-	**244,187**	**353,703**	**726,210**	-	**1,324,100**
Net carrying amount:						
As at 31 December 2014	**9,943,681**	**148,013**	**686,297**	**699,871**	**401,928**	**11,879,790**

4 INTANGIBLE ASSETS (continued)

	Goodwill *KD*	*Key money* *KD*	*License fee* *KD*	*Computer software* *KD*	*Total* *KD*
Cost:					
As at 1 January 2013	626,113	258,000	875,000	1,207,778	2,966,891
Additions	-	55,200	220,000	87,147	362,347
Disposals	-	-	(55,000)	(428)	(55,428)
Foreign currency translation adjustment	(1,288)	-	-	(29)	(1,317)
As at 31 December 2013	624,825	313,200	1,040,000	1,294,468	3,272,493
Amortisation and impairment:					
As at 1 January 2013	-	199,931	262,583	431,843	894,357
Charge for the year	-	22,632	-	138,236	160,868
Impairment	-	-	16,838	-	16,838
Relating to disposals	-	-	(4,583)	(60)	(4,643)
As at 31 December 2013	-	222,563	274,838	570,019	1,067,420
Net carrying amount					
As at 31 December 2013	624,825	90,637	765,162	724,449	2,205,073

Amortisation charge for the year is included under general and administrative expenses.

5 INVESTMENT IN ASSOCIATES

The Parent Company has interest in the following unquoted associates:

Name of company	*Country of incorporation*	*Activity*	*Effective interest (%)*		*Carrying value*	
			2014	*2013*	*2014* *KD*	*2013* *KD*
International Paper Products W.L.L.	Kuwait	Manufacturing	**24.34**	24.34	**558,851**	532,397
National Textile Company K.S.C. (Closed)	Kuwait	Manufacturing	**31.65**	31.65	**424,708**	412,467
					983.559	944.864

Summarised financial information of the Group's investment in associates is as follows:

	2014 *KD*	*2013* *KD*
Current assets	**3,584,855**	2,985,595
Non-current assets	**3,987,937**	2,874,089
Current liabilities	**(2,151,788)**	(2,277,988)
Non-current liabilities	**(1,132,991)**	(69,367)
Equity	**4,288,013**	3,512,329
Group's carrying amount of the investment in associates	**983,559**	944,864

5 INVESTMENT IN ASSOCIATES (continued)

Summarised statement of income for associates is as follows:	*2014* *KD*	*2013* *KD*
Revenue	**2,507,017**	42,509,036
Cost of revenue	**(1,894,842)**	(35,927,035)
Other expenses	**(381,113)**	(6,152,549)
Profit for the year	**231,062**	429,452
Total comprehensive income for the year	**391,096**	429,452
Group's share of results for the year	**54,892**	116,622

The associates had no contingent liabilities or capital commitments as at 31 December 2013 or 2014.

The management of the Parent Company has assessed the carrying value of the associates. As at 31 December 2014, there are no indications that the carrying value of these associates is impaired. Therefore, no impairment is required to be recognised in respect of these associates in the consolidated statement of income.

6 INVESTMENT PROPERTIES

The cost less accumulated depreciation of the investment properties as at 31 December 2014 was KD Nil (2013: KD 1,565,718). Depreciation charge for the year amounted to KD 18,682 (2013: KD 22,127). During the year, the Group sold the investment property to a related party for KD 2,500,000 [Note 9 (i)].

7 TRADE AND OTHER RECEIVABLES

	2014 *KD*	*2013* *KD*
Trade receivables	**46,157,906**	42,854,146
Less: Allowance for bad and doubtful debts	**(4,369,956)**	(5,459,283)
	41,787,950	37,394,863
Advance to suppliers (net of provision)	**2,866,481**	3,499,842
Prepaid expenses	**722,909**	586,823
Deposits	**643,956**	585,932
Staff receivables	**76,078**	138,547
Other receivables	**254,083**	2,123,452
	46,351,457	44,329,459

As at 31 December 2014, trade receivables with a carrying value of KD 4,369,956 (2013: KD 5,459,283) were impaired and fully provided for.

7 TRADE AND OTHER RECEIVABLES (continued)

The movement in the allowance for bad and doubtful debts on trade receivables was as follows:

	2014 *KD*	*2013* *KD*
As at 1 January	**5,459,283**	6,303,178
Arising on acquisition of subsidiaries	**110,627**	-
Charge for the year	**384,571**	1,285,085
Amounts written off	**(1,628,097)**	(2,140,539)
Exchange differences	**43,574**	11,559
As at 31 December	**4,369,958**	5,459,283

The allowance for bad and doubtful debts for the year is included in general and administrative expenses.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further credit allowance required in excess of the allowance for bad and doubtful debts.

As at 31 December, the ageing analysis of trade receivables that were not impaired is as follows:

		Past due but not impaired					*Total*
	Neither past due nor impaired *KD*	*< 30 days* *KD*	*30 to 60 days* *KD*	*60 to 90 days* *KD*	*90 to 120 days* *KD*	*> 120 days* *KD*	*KD*
2014	**22,770,272**	**6,334,313**	**4,734,653**	**1,582,236**	**2,082,009**	**4,284,467**	**41,787,950**
2013	19,162,185	7,195,606	5,451,481	2,232,087	1,794,521	1,558,983	37,394,863

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable.

8 INVENTORIES

	2014 *KD*	*2013* *KD*
Goods for resale	**24,093,912**	21,555,892
Raw materials, packing materials and consumables	**10,014,368**	9,545,232
Finished goods and work in progress	**1,172,747**	2,460,009
Goods in transit	**150,152**	546,276
	35,431,179	34,107,409
Less: Allowance for obsolete and slow moving inventories	**(2,156,177)**	(2,775,359)
	33,275,002	31,332,050

8 INVENTORIES (continued)

The movement in the allowance for obsolete and slow moving inventories was as follows:

	2014 *KD*	*2013* *KD*
As at 1 January	**2,775,359**	2,206,511
Arising on acquisition of subsidiaries	**53,711**	-
(Reversal of) charge for the year	**(179,525)**	971,713
Amounts written off	**(500,627)**	(402,865)
Exchange differences	**7,259**	-
As at 31 December	**2,156,177**	2,775,359

9 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Significant balances and transactions with related parties included in the consolidated financial statements are as follows:

	Major shareholders KD	*Associates KD*	*Other related parties KD*	***2014 Total KD***	*2013 Total KD*
Consolidated statement of financial position:					
Due from related parties	-	-	54,913	**54,913**	943,006
Due to related parties	1,311,670	9,392	702,797	**2,023,859**	2,740,501

The amounts due from/to related parties are interest free and are receivable/payable on demand.

	Major shareholders KD	*Associates KD*	*Other related parties KD*	***2014 Total KD***	*2013 Total KD*
Consolidated statement of income:					
Revenue	43,886	-	157,541	**201,427**	165,871
Cost of revenue	(30,837)	-	-	**(30,837)**	(21,761)
Other income	-	-	1,535,586	**1,535,586**	2,340,999
General and administrative expenses	-	-	(179,304)	**(179,304)**	341,769

Other related parties transactions:

i) During the year, the Group sold an investment property with a net carrying value of KD 1,547,036 to a relatec party for a consideration of KD 2,500,000 resulting in a gain of KD 952,964 (Note 14).

ii) During the year, the Parent Company acquired non-controlling interests in certain subsidiaries from a related party and minority shareholders for a consideration of KD 1,648,329(Note 18).

iii) During 2013, the Parent Company acquired 51% equity interest in Al Wazzan Foodstuff Factory from major shareholders of the Parent Company resulting in a gain on bargain purchase of KD 2,242,000 (Note 17).

9 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Remuneration paid or accrued in relation to key management (which is deemed for this purpose to comprise of Directors, the Chief Executive Officer and other Senior Officers) was as follows:

	2014 *KD*	*2013* *KD*
Salaries and other short-term benefits	**1,626,488**	1,676,712
Employees' end of service benefits	**40,770**	72,799
	1,667,258	1,749,511

The Board of Directors' remuneration of KD 25,000 (2013: KD 25,000) in respect of the year ended 31 December 2014 is subject to approval by the ordinary General Assembly of the equity holders of the Parent Company.

10 CASH AND CASH EQUIVALENTS

	2014 *KD*	*2013* *KD*
Bank balances and cash	**5,168,163**	14,950,567
Bank overdrafts	**(4,492,424)**	(8,817,818)
Restricted bank balance*	**-**	(10,479,875)
Cash and cash equivalents included in consolidated statement of cash flows	**675,739**	(4,347,126)

Bank overdrafts are repayable on demand and carry effective interest rates of up to 4% (2013: 5.5%) per annum.

* During 2013, the Parent Company had deposited KD 10,479,875 into an 'Escrow account' for the purpose of acquiring equity interests in UNITRA and METS and the balance was considered a restricted bank balance. During the year, this deposit was utilised to pay for the consideration of the acquisition.

11 LOANS AND BORROWINGS

Currency	*Current*		*Non – current*	
	2014	*2013*	*2014*	*2013*
	KD	*KD*	*KD*	*KD*
Kuwaiti Dinars	**11,027,845**	14,259,800	**92,250**	620,415
UAE Dirhams	**-**	472,029	**-**	-
US Dollars	**13,559,765**	7,722,092	**6,269,928**	10,454,350
Qatari Riyals	**-**	1,222,134	**-**	58,208
	24,587,610	23,676,055	**6,362,178**	11,132,973

Loans and borrowings carry interest at commercial rates.

Loans and borrowings of KD 620,415 (2013: KD 1,280,415) are secured against certain property, plant and equipment (Note 3).

12 TRADE AND OTHER PAYABLES

	2014 *KD*	*2013* *KD*
Trade payable	**23,399,054**	15,463,206
Accrued expenses	**9,192,012**	5,659,360
Other payables	**1,088,246**	1,339,617
Advance from customers	**32,288**	268,713
	33,711,600	22,730,896

13 SHARE CAPITAL AND RESERVES

a) Share capital

	2014 *KD*	*2013* *KD*
Authorised, issued and fully paid up in cash:		
296,500,000 (2013: 198,000,000) shares of 100 (2013: 100) fils	**29,650,000**	19,800,000

On 24 August 2014, the shareholders at the Extra-ordinary General Assembly approved issuance of 98,500,000 bonus shares of 100 fils each. As a result, the shares of the Parent Company increased to 296,500,000.

b) Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital.

Distribution of the statutory reserve up to the amount equivalent to 50% of paid up share capital is limited to the amount required to enable the payment of a dividend of up to 5% of paid up share capital in years when accumulated profits are not sufficient for the payment of such dividend.

c) Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors' remuneration is required to be transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution in General Assembly of the Parent Company's shareholders upon a recommendation by the Board of Directors. Voluntary reserve is available for distribution.

14 OTHER INCOME

	2014 *KD*	*2013* *KD*
Gain on disposal of property, plant and equipment	**309,719**	2,155,438
Gain on sale of an investment property (Note 9)	**952,964**	-
Other income	**358,685**	320,331
Foreign exchange gain	**602,707**	105,648
Write back of provision no longer required	-	642,511
Gain on disposal of an investment in an associate	-	1,289,437
	2,224,075	4,513,365

15 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2014 *KD*	*2013* *KD*
Staff costs	**23,744,801**	19,684,614
Rental – operating leases	**4,633,869**	2,967,138
(Write back of) /allowance for obsolete and slow moving inventories (Note 8)	**(179,525)**	971,713
Inventories recognised as expense upon sale of goods and rendering services	**127,213,555**	98,995,089

16 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	2014 *KD*	*2013* *KD*
Profit for the year	**14,752,784**	10,433,729
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the year [Note 13(a)]	**296,500,000**	296,500,000
Basic and diluted earnings per share	**49.76 Fils**	35.19 Fils

Basic and diluted earnings per share for the comparative year is adjusted to reflect the effect of bonus shares issued on 24 August 2014 (Note 13).

17 BUSINESS COMBINATION

On 9 January 2014, the Parent Company acquired 100% equity interest in UNITRA International L.L.C. ("UNITRA") and Middle East Trading Store L.L.C. ("METS") (collectively referred to as "acquiree companies"), companies incorporated in the United Arab Emirates (U.A.E.). Principal activity of the acquiree companies is trading in food and beverages.

During the year, the Group finalized the Purchase Price Allocation ("PPA") exercise and determined that the fair value of the assets and liabilities acquired do not materially differ from their provisionally determined fair values as at the acquisition date.

The consideration paid and the values of assets acquired and liabilities assumed are summarized as follows:

17 BUSINESS COMBINATION (continued)

	UNITRA *KD*	*METS* *KD*	*Total* *KD*
Assets:			
Property, plant and equipment	77,704	9,397	**87,101**
Trade and other receivables	2,250,084	603,822	**2,853,906**
Inventories	902,784	263,367	**1,166,151**
Bank balances and cash	641,258	15,466	**656,724**
	3,871,830	892,052	**4,763,882**
Liabilities:			
Employees' end of service benefits	321,194	10,658	**331,852**
Trade and other payables	2,593,720	291,412	**2,885,132**
	2,914,914	302,070	**3,216,984**
Total identifiable net assets at fair values	956,916	589,982	**1,546,898**
Consideration paid			**10,502,096**
Goodwill			**8,955,198**
Consideration paid			**10,502,096**
Cash and cash equivalents acquired			**(656,724)**
Net cash outflow on acquisition			**9,845,372**

From the date of acquisition, UNITRA and METS has contributed KD 20,542,126 and KD 2,809,573 of revenue respectively and profit of KD 2,228,865 and KD 58,570 respectively to profit before contribution to KFAS and Zakat of the Group. The pre-acquisition revenues and results are immaterial to the Group as they represents only 8 days of operations.

Year ended 31 December 2013

On 31 January 2013, the Parent Company acquired 51% equity interest of Al Wazzan Foodstuffs Factory L.L.C. ("Snack Factory"), a company incorporated in the U.A.E. from a related party (Note 9 (iii)). The provisional gain on bargain purchase of KD 2,242,000 on acquisition of Snack Factory was recognised in the consolidated statement of income for the year ended 31 December 2013. Net cash inflow on acquisition of 51% equity interest of Al Wazzan Foodstuffs Factory L.L.C. ("Snack Factory") was KD 37,997.

The management of the Parent Company completed the PPA exercise during the year and this did not result in any change to the previously recognised fair values of assets acquired, liabilities assumed and gain on bargain purchase. Accordingly, there is no impact on the consolidated financial statement.

18 ACQUISITION OF NON-CONTROLLING INTERESTS

i) During the year, the Parent Company acquired additional equity interest in certain subsidiaries from a related party (Note 9 (ii)) for a total consideration of KD 448,329.

ii) During the year, the Parent Company entered into an agreement with the minority shareholders to acquire the remaining shares held by them in certain subsidiaries (Kuwait Indo Trading Company W.L.L. (KITCO), Gulf Pastries Manufacturing Company W.L.L. (GPM), Kuwait Biscuit and Food Products Manufacturing Company W.L.L. (KBC) and Al Wazzan Foodstuff Factory) (Note 9 (ii)) for a total consideration of KD 1,200,000 to be paid by the Parent Company and 18,383,563 existing shares of the Parent Company to be transferred by the shareholders of the Parent Company. The agreement required KD 1,200,000 to be paid by the Parent Company over a period of 3 years and accordingly it has been classified under 'due to related parties' in the consolidated statement of financial position. This transaction resulted in a difference of KD 5,863,011 and is recorded directly in equity in 'Retained earnings' in accordance with IFRS 10: *Consolidated Financial Statement.* During the year, KD 200,000 was paid in cash whereas the balance of KD 1,000,000 is payable as at 31 December 2014 and included in amount due to related parties.

19 CONTINGENCIES AND COMMITMENTS

(a) Contingencies:

As at the reporting date, the Group had the following contingent liabilities in respect of letter of guarantee and letter of credit granted by banks from which it is anticipated that no material liabilities will arise:

	2014 *KD*	*2013* *KD*
Letters of guarantee	**11,546,095**	9,522,527
Letters of credit	**4,628,563**	1,274,721
	16,174,658	10,797,248

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of subsidiaries in the event of a specific act, generally related to the import or export of goods and performance guarantees.

Legal claims

In addition to the above, the Group is involved in various incidental claims and legal proceedings matters. The legal counsel of the Group believes that these matters will not have a material adverse effect on the accompanying consolidated financial statements.

(b) Commitments:

	2014 *KD*	*2013* *KD*
Capital expenditure commitments		
Future estimated capital expenditure contracted for at the reporting date:		
Property, plant and equipment	**968,508**	4,460,135
Intangible assets	**55,258**	582,300
	1,023,766	5,042,435
Operating lease commitments:		
Future minimum lease payments:		
Within one year	**1,913,819**	1,663,378
After one year but not more than five years	**1,806,413**	959,486
Total operating lease expenditure contracted for at the reporting date	**3,720,232**	2,622,864

20 SEGMENTAL INFORMATION

For management reporting purposes, the Group is organised into five major operating segments based on internal reporting provided to the chief operating decision maker. The chief operating decision maker, is the person responsible for allocating resources to and assessing the performance of the operating segments. The Group does not have material inter-segment transactions. The principal activities and services under these segments are as follows:

Food	:	Food comprises all the businesses that relate to the food industry including food and beverages, wholesale trading, manufacturing and retail. The segment deals in a variety of products namely meat products, cakes, biscuits, potato chips, snacks, canned food products, dairy products and water.
Fast Moving Consumer Goods ("FMCG")	:	FMCG mainly comprises of distribution of health and beauty products, medicines, medical products and household products.
Catering	:	Catering comprises of food services for short term and long term delivery of cooked food as well as on site operation of food facilities and catering for one off events.
Industrial	:	Industrial comprises of the manufacturing of goods including plastic materials, lube oil and cartons used for packaging.
Services	:	Services includes provision/sale of a variety of services/goods respectively to major customers predominantly including sales and delivery of foods as well as ancillary storage, logistics, repairs and maintenance services and sale of non-food items.
Corporate	:	Corporate comprises of central assets, liabilities and support functions for the entire Group. The corporate provides management, information systems and technology, human resource, procurement and finance support to other segments. The Group maintains a central treasury function and manages the cash and borrowing position centrally.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments. Taxation and Board of Directors' remuneration are managed on an overall basis and are not allocated to the corporate segments.

As at 31 December 2014

20 SEGMENTAL INFORMATION (continued)

a) The following table presents information regarding the Group's operating segments.

	Year ended 31 December 2014								
	Food				*Non-food*			*Corporate*	
	Food KD	*Catering KD*	*Services KD*	*Sub-total KD*	*FMCG KD*	*Industrial KD*	*Sub-total KD*	*KD*	*Total segment KD*
Revenue	92,417,266	27,521,113	13,251,783	**133,190,162**	42,800,530	6,398,195	**49,198,725**	114,860	**182,503,747**
Operating profit	11,492,611	2,483,167	2,553,332	**16,529,110**	1,632,635	(83,349)	**1,549,286**	104,100	**18,182,496**
Segment profit	10,263,453	2,386,476	2,314,120	**14,964,049**	1,192,142	(94,719)	**1,097,423**	310,796	**16,372,268**
Total assets	77,207,368	18,881,038	7,547,504	**103,635,910**	44,116,939	8,965,995	**53,082,934**	7,105,788	**163,824,632**
Total liabilities	16,249,844	7,649,376	2,061,742	**25,960,962**	8,227,076	3,258,297	**11,485,373**	37,719,318	**75,165,653**
Other disclosures:									
Depreciation and amortisation	2,102,161	970,930	228,829	**3,301,920**	334,126	468,860	**802,986**	391,655	4,496,561
Investment in associates	-	-	-	-	-	-	-	983,559	**983,559**
Capital expenditure (excluding goodwill)	6,906,462	772,529	2,970,706	**10,649,697**	222,268	1,241,775	**1,464,043**	691,576	12,805,316
Impairment of property, plant and equipment	513,472	53,568	239,212	**806,252**	-	-	-	-	**806,252**
Impairment of intangible assets	-	-	-	-	78,865	-	**78,865**	-	**78,865**

20 SEGMENTAL INFORMATION (continued)

	Year ended 31 December 2013								
	Food				Non-food			Corporate	
	Food KD	Catering KD	Services KD	Sub-total KD	FMCG KD	Industrial KD	Sub-total KD	KD	Total segment KD
Revenue	63,275,091	25,020,600	4,058,952	92,354,643	41,578,815	8,304,878	49,883,693	138,388	142,376,724
Operating profit	6,363,920	648,183	997,831	8,009,934	1,862,545	(487,017)	1,375,528	2,629,493	12,014,955
Segment profit	5,504,667	648,168	997,831	7,150,666	1,300,887	(507,020)	793,867	5,124,307	13,068,840
Total assets	61,604,580	16,131,377	5,673,335	83,409,292	42,273,590	8,087,195	50,360,785	20,897,538	154,667,615
Total liabilities	12,749,633	6,833,277	960,523	20,543,433	6,503,388	2,357,847	8,861,235	43,030,703	72,435,371
Other disclosures:									
Depreciation and amortisation	1,871,761	873,098	151,420	2,896,279	353,080	464,270	817,350	464,210	4,177,839
Investment in associates	-	-	-	-	-	-	-	944,864	944,864
Capital expenditure	5,496,933	837,276	453,255	6,787,464	351,777	462,118	813,895	350,353	7,951,712
Impairment of intangible assets	-	-	-	-	16,838	-	16,838	-	16,838

20 SEGMENTAL INFORMATION (continued)

b) The following table presents information regarding the Group's geographical segments.

	Kuwait *KD*	*Saudi Arabia* *KD*	*U.A.E* *KD*	*Qatar* *KD*	*Jordan* *KD*	*Afghanistan* *KD*	*Sub-total* *KD*
Year ended 31 December 2014							
Revenue	122,655,242	-	31,617,301	17,144,134	3,762,659	7,324,411	**182,503,747**
Non-current assets	53,124,199	4,749,600	7,461,660	10,702,794	2,742,282	194,562	**78,975,097**
Year ended 31 December 2013							
Revenue	120,566,443	-	5,713,372	15,055,836	6,505	1,034,568	142,376,724
Non-current assets	44,080,051	2,298,696	5,363,735	8,710,284	2,613,917	45,850	63,112,533

21 PROPOSED DIVIDENDS

The Board of Directors of the Parent Company recommended a cash dividend of KD 8,700,000 (2013: KD 4,850,000) in respect of the year ended 31 December 2014,which is subject to approval by the shareholders at the Annual General Assembly of the Parent Company.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. They are monitored through the Group's strategic planning process.

The Group's principal financial liabilities comprise bank overdrafts, trade and other payables, loan and borrowings and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, due to related parties, trade receivables and financial assets available for sale which arise directly from its operations.

The management of the Group is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The management of the Group reviews and agrees policies for managing each of these risks which are summarised below.

22.1 Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade and other receivables, amounts due from related parties and financial assets available for sale.

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure is the carrying amount as disclosed in Note 7. The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2014 and 31 December 2013.

The Group sells its products and renders services to a large number of customers. Its 5 largest customers account for 34% of outstanding trade receivables at 31 December 2014 (2013: 28%).

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

22.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by ensuring that bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments. The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of sale/rendering services, unless otherwise covered by a specific contract or agreement. The Group's terms of trade with its principal suppliers generally require the amounts to be paid within periods ranging from 30 to 60 days from the date of purchase unless otherwise covered

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Liquidity risk (continued)

by specific contract or agreement. The maturity profile is monitored by Group's management to ensure adequate liquidity is maintained.

Liquidity risk is managed by the finance department of the Parent Company. To manage this risk, the Group invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by finance department to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2014	*On demand KD*	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Loans and borrowings	-	**2,109,000**	**25,404,576**	**6,869,124**	**34,382,700**
Trade and other payables	-	**33,711,600**	-	-	**33,711,600**
Due to related parties	**1,023,859**	**100,000**	**300,000**	**600,000**	**2,023,859**
Bank overdrafts	**4,492,424**	-	-	-	**4,492,424**
Total undiscounted liabilities	**5,516,283**	**35,920,600**	**25,704,576**	**7,469,124**	**74,610,583**
Commitments	-	**868,812**	**154,954**	-	**1,023,766**

2013	*On demand KD*	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Loans and borrowings	-	1,296,632	22,471,686	11,386,367	35,154,685
Trade and other payables	-	22,730,896	-	-	22,730,896
Due to related parties	2,740,501	-	-	-	2,740,501
Bank overdrafts	8,817,818	-	-	-	8,817,818
Total undiscounted liabilities	11,558,319	24,027,528	22,471,686	11,386,367	69,443,900
Commitments	-	1,159,468	2,132,967	1,750,000	5,042,435

Included in loans and borrowings is an amount of KD 21,543,147 (2013: KD 21,321,892) which represents revolving facilities and the management is confident that the facilities will be renewed on expiry.

22.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

22.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank overdrafts and loans and borrowings with floating interest rates.

The Group's policy is to manage its interest cost by availing competitive credit facilities from the local and regional financial institutions and constantly monitoring interest rate fluctuations.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.3.1 Interest rate risk (continued)

Based on the Group's financial assets and liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would equally impact the Group's profit before contribution to KFAS, Zakat and Board of Directors' remuneration as follows:

Currency	*Increase of 25 basis points* *Decrease in profit before KFAS, Zakat and Board of Director's remuneration*	
	2014	*2013*
	KD	*KD*
Kuwaiti Dinar	**27,800**	(56,572)
US Dollar	**49,574**	(45,441)
Qatari Riyals	-	(4,334)
U.A.E. Dirhams	-	(2,703)

The decrease in the basis points will have an opposite impact on the net interest income. There is no direct impact on the Group's other comprehensive income.

22.3.2 Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The Group is mainly exposed to foreign currency risk on its trade receivables, trade accounts payables denominated in foreign currencies and net investment in foreign operations.

The table below analyses the effect on profit before contribution to KFAS, Zakat and Board of Director's remuneration (due to change in the fair value of monetary assets and liabilities) and other comprehensive income of an assumed 5% strengthening in the value of the currency rate against the KD from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or other comprehensive income, whereas a positive amount reflects a net potential increase.

Currency	*Change in currency rate by + 5%*			
	Effect on profit before KFAS, Zakat and Board of Director's remuneration		*Effect on other comprehensive income*	
	2014	*2013*	***2014***	*2013*
	KD	*KD*	***KD***	*KD*
U.A.E. Dirhams	**360,333**	64,859	**734,010**	-
Euro	**(45,638)**	2,570	-	-
British Pound	**(4,178)**	(8,959)	-	-
Saudi Riyals	**200,881**	(43,607)	-	-
US Dollars	**(454,855)**	(117,560)	**(970,184)**	-
Jordanian Dinar	**169,800**	7,960	-	-
Qatari Riyal	**204,161**	5,798	-	-

An equivalent weakening in each of the abovementioned currencies against the KD would result in an equivalent but opposite impact.

22.3.3 Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. The Group manages this through diversification of investments in terms of industry concentration. Financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets available for sale.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.3.3 Equity price risk (continued)

The Group has unquoted financial assets available for sale which are carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted.

22.4 Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not exposed to significant prepayment risk.

22.5 Operation risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, trade and other receivables, bank balances and cash and due from related parties. Financial liabilities consist of bank overdrafts, loans and borrowing, trade and other payables and due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

The fair values of financial instruments, except unquoted equity securities carried at cost, are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to variable rate financial instruments.

24 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the net fair values of derivative financial instruments, together with the notional amounts analysed by maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk.

24 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2014	*Positive fair value KD*	*Negative fair value KD*	*Notional amount KD*	*Notional amounts by term to maturity*	
				Up to 3 months KD	*3-12 months KD*
Forward foreign exchange contracts	10,936	-	**1,862,455**	**1,862,455**	-

2013	*Positive fair Value KD*	*Negative fair value KD*	*Notional amount KD*	*Notional amounts by term to maturity*	
				Up to 3 months KD	*3-12 months KD*
Forward foreign exchange contracts	13,171	(14,471)	8,960,145	6,474,500	2,485,645

The forward foreign exchange contracts are fair valued using valuation technique as described in note 2 above and are classified under level 2 fair value hierarchy.

25 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. The Group monitors capital at the level of the Parent Company and at each of the subsidiaries.

Based on considerations of various stakeholders, capital at the Parent Company is monitored in terms of debt/equity ratio, which is net debt divided by total capital plus net debt. The Parent Company includes within net debt, loans and borrowings and bank overdrafts less bank balances and cash. Total capital represents total equity attributable to the equity holders of the Parent Company.

	2014 KD	*2013 KD*
Loans and borrowings	**30,949,788**	34,809,028
Bank overdrafts	**4,492,424**	8,817,818
Restricted bank balance	**-**	10,479,875
Less: Bank balances and cash	**(5,168,163)**	(14,950,567)
Net debt	**30,274,049**	39,156,154
Equity attributable to the equity holders of the Parent Company	**86,518,416**	70,747,244
Total capital plus net debt	**116,792,465**	109,903,398
Debt : Equity ratio	**26:74**	36:64

The Parent Company manages the capital needs of its subsidiaries to ensure that their capital is adequate to support the business and financial exposure.

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