

Interim condensed consolidated financial information and review report
Al Mal Investment Company – KSC (Closed) and Subsidiaries
Kuwait

30 September 2013 (Unaudited)

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Al-Qatami, Al-Aiban & Partners

Auditors & Consultants
Souq Al Kabeer Building - Block A 9th Floor
Tel : (965) 2244 3900-9
Fax: (965) 2243 8451
P.O.Box 2986, Safat 13030
Kuwait
E-mail: gt@kw.gt.com
www.gtkuwait.com



MAZARS

Hend Abdulla Al Surayea & Co.- Chartered Accountants

P.O. Box 23105
Safat 13092
Kuwait
Tel: +965 22470462/4
Fax: +965 22470463
Web: www.mazars.com.kw

Report on review of interim condensed consolidated financial information

To the board of directors of
Al Mal Investment Company – KSC (Closed)
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Mal Investment Company (A Kuwaiti Closed Shareholding Company) and its subsidiaries as of 30 September 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in note (3). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in note (3).

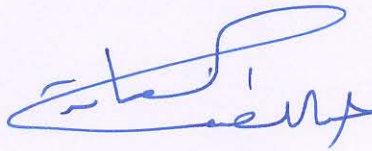
Emphasis of matter

Without qualifying our conclusion, we draw attention to note 2 to the interim condensed consolidated financial information which states that the Group incurred a loss of KD 4,878,104 for the nine months ended 30 September 2013 and as of that date has accumulated losses of KD 17,388,211. Furthermore, the Group is actively engaged with its lenders to restructure certain debt obligations due to either the default on the repayment of such obligations or where such obligations have become due/matured. These conditions along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Groups ability to continue as a going concern.

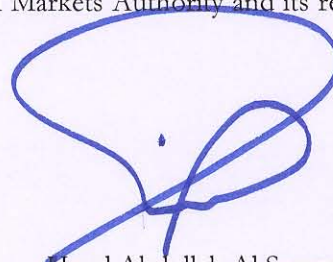
Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 or of the articles and memorandum of association of the Company, as amended, have occurred during the nine-month period ended 30 September 2013 that might have had a material effect on the business or financial position of the Company.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine months period ended 30 September 2013.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Hend Abdulla Al Surayea
(Licence No. 141-A)
of MAZARS – Chartered Accountants

Kuwait
9 January 2014

Interim condensed consolidated statement of income

	Note	Three months ended		Nine months ended	
		30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
Revenue					
Unrealised gain/(loss) from investments at fair value through profit or loss		-	-	17,923	(13,040)
Realised loss on sale of available for sale investments	8.4 to 8.6	(1,517,446)	(1,346,676)	(1,488,277)	(1,326,197)
Dividend income		140,894	144,391	420,652	649,674
Share of results of associates	10	(371,933)	(135,307)	177,839	3,257,493
Realised gain on sale of property and equipment		34	-	590,041	-
Change in fair value of investment properties	11	-	-	1,041,654	2,191,743
Sukuk & interest income		1,786	144,406	312,285	456,502
Net income/(loss) from communication services		151,152	(26,907)	433,838	(24,359)
Management fees and other income	4	286,944	224,068	656,081	666,762
		(1,308,569)	(996,025)	2,162,036	5,858,578
Expenses and other charges					
Finance costs		819,116	1,051,101	2,658,619	3,132,149
Staff costs		298,367	261,682	867,665	943,418
General, administrative and other expenses		123,494	204,589	569,536	660,927
Impairment of available for sale investments	8.3	-	-	36,839	152,519
Impairment of investment in associates	10.2	-	-	-	641,850
Impairment of investment in sukuk	9	1,902,847	-	1,902,847	-
Provision for impairment of accounts receivable and other assets	7.2	1,062,466	-	1,062,466	4,316,245
Foreign exchange (gain)/loss		(231,889)	(172,475)	(57,832)	123,805
		3,974,401	1,344,897	7,040,140	9,970,913
Loss before zakat and National Labour Support Tax (NLST)					
Support Tax (NLST)		(5,282,970)	-	(4,878,104)	-
Reversal of provision for zakat		771	-	-	-
Reversal of provision for NLST		1,929	-	-	-
Loss for the period		(5,280,270)	(2,340,922)	(4,878,104)	(4,112,335)
Attributable to :					
Owners of the parent company		(4,154,344)	(2,385,172)	(4,114,987)	(4,443,525)
Non-controlling interests		(1,125,926)	44,250	(763,117)	331,190
		(5,280,270)	(2,340,922)	(4,878,104)	(4,112,335)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY					
	5	(7.86) Fils	(4.51) Fils	(7.79) Fils	(8.41) Fils

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
Loss for the period	(5,280,270)	(2,340,922)	(4,878,104)	(4,112,335)
Other comprehensive income:				
<i>Items that will be reclassified subsequently to statement of income</i>				
Exchange differences arising on translation of foreign operations	(170,809)	(114,565)	(528,466)	(121,921)
Available for sale investments:				
- Net changes in fair value arising during the period	(112,029)	(235,326)	(152,919)	(550,317)
- Transferred to consolidated statement of income on disposal	109,050	623,415	(756,032)	602,936
- Transferred to consolidated statement of income on impairment	-	-	36,839	152,519
Share of other comprehensive income of associates	395,245	(107,933)	77,652	(209,235)
<i>Net other comprehensive income to be reclassified to the statement of income in subsequent periods</i>	221,457	165,591	(1,322,926)	(126,018)
<i>Net other comprehensive income not to be reclassified to the statement of income in subsequent periods</i>	-	-	-	-
Total other comprehensive income for the period	221,457	165,591	(1,322,926)	(126,018)
Total comprehensive income for the period	(5,058,813)	(2,175,331)	(6,201,030)	(4,238,353)
Total comprehensive income attributable to:				
Owners of the parent company	(3,950,587)	(2,216,429)	(5,245,506)	(4,575,282)
Non-controlling interests	(1,108,226)	41,098	(955,524)	336,929
	(5,058,813)	(2,175,331)	(6,201,030)	(4,238,353)

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Assets				
Cash and cash equivalents	6	7,232,058	7,230,153	6,623,703
Investments at fair value through profit or loss		1,844,213	1,793,118	1,784,694
Accounts receivable and other assets	7	21,112,497	19,626,215	18,410,393
Available for sale investments	8	8,774,102	15,372,870	15,800,469
Investments in sukuk	9	4,589,994	6,369,397	6,194,348
Investment in associates	10	13,214,965	11,805,998	12,465,323
Investment properties	11	75,939,835	74,299,817	74,551,359
Property and equipment		48,979	926,355	902,117
Goodwill		90,332	90,332	90,332
Total assets		132,846,975	137,514,255	136,822,738
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities	12	12,051,692	22,683,047	21,050,395
Borrowings	13	59,782,994	47,687,664	47,561,857
Bonds issued	14	11,988,000	11,988,000	11,988,000
Employees' end of service indemnity		487,675	417,900	381,469
Total liabilities		84,310,361	82,776,611	80,981,721
Equity				
Share capital	15	52,828,125	52,828,125	52,828,125
Share premium		-	-	-
Statutory reserve		-	-	-
Voluntary reserve		-	-	-
Foreign currency translation reserve		(485,436)	(227,029)	(313,991)
Cumulative changes in fair value		561,557	1,433,669	686,015
Accumulated losses		(17,388,211)	(13,273,224)	(11,545,679)
Equity attributable to owners of the parent company		35,516,035	40,761,541	41,654,470
Non-controlling interests		13,020,579	13,976,103	14,186,547
Total equity		48,536,614	54,737,644	55,841,017
Total liabilities and equity		132,846,975	137,514,255	136,822,738

Fahad Mohammad Al-Sharekh
Chairman

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent company							Non-controlling interests		Total
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub-total KD	KD	
Balance as at 1 January 2013 (audited)	52,828,125	-	-	-	(227,029)	1,433,669	(13,273,224)	40,761,541	13,976,103	54,737,644
Profit for the period	-	-	-	-	-	-	(4,114,987)	(4,114,987)	(763,117)	(4,878,104)
Other comprehensive income for the period	-	-	-	-	(258,407)	(872,112)	-	(1,130,519)	(192,407)	(1,322,926)
Total comprehensive income for the period	-	-	-	-	(258,407)	(872,112)	(4,114,987)	(5,245,506)	(955,524)	(6,201,030)
Balance as at 30 September 2013 (unaudited)	52,828,125	-	-	-	(485,436)	561,557	(17,388,211)	35,516,035	(13,020,579)	48,536,614

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent company							Non-controlling interests		Total
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	
Balance as at 1 January 2012 (audited)	52,828,125	18,375,000	4,802,301	4,802,301	22,904	480,877	(35,081,756)	46,229,752	13,849,618	60,079,370
Set off of losses	-	(18,375,000)	(4,802,301)	(4,802,301)	-	-	27,979,602	-	-	-
Loss for the period	-	-	-	-	-	-	(4,443,525)	(4,443,525)	331,190	(4,112,335)
Other comprehensive income for the period	-	-	-	-	(336,895)	205,138	-	(131,757)	5,739	(126,018)
Total comprehensive income for the period	-	-	-	-	(336,895)	205,138	(4,443,525)	(4,575,282)	336,929	(4,238,353)
Balance as at 30 September 2012 (unaudited)	52,828,125	-	-	-	(313,991)	686,015	(11,545,679)	41,654,470	14,186,547	55,841,017

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2013 (Unaudited) KD	Nine months ended 30 Sept. 2012 (Unaudited) KD
OPERATING ACTIVITIES			
Loss for the period		(4,878,104)	(4,112,335)
Adjustments for:			
Impairment of available for sale investments		36,839	152,519
Impairment of accounts receivable and other assets		1,062,466	4,316,245
Impairment of investment in sukuk		1,902,847	-
Impairment of investment in associates		-	641,850
Change in fair value of investment properties		(1,041,654)	(2,191,743)
Realised loss on sale of available for sale investments		1,488,277	1,326,197
Realised gain on sale of property and equipment		(590,041)	-
Dividend income		(420,652)	(649,674)
Share of results of associates		(177,839)	(3,257,493)
Depreciation		33,003	59,036
Provision for employees end of service benefits		75,275	73,574
Sukuk & interest income		(312,285)	(456,502)
Finance costs		2,658,619	3,132,149
		(163,249)	(966,177)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(51,095)	579
Accounts receivable and other assets		(496,332)	3,658,012
Accounts payable and other liabilities		(12,274,964)	(520,548)
Cash (used in)/from operations		(12,985,640)	2,171,816
Employee end of service benefits paid		(5,501)	(155,560)
Net cash (used in)/from operating activities		(12,991,141)	2,016,306
INVESTING ACTIVITIES			
Net change in investments in sukuk		(123,444)	(21,823)
Net movement to property and equipment		(9,143)	(2,130)
Proceeds from sale/redemption of available for sale investments		2,564,837	4,119,865
Proceeds from sale of property and equipment		1,443,559	-
Additions to available for sale investments		(187,000)	-
Additions to investment in associates		(1,555,400)	(3,894,240)
Additions to investment properties		(825,168)	-
Dividend received from associates		45,852	83,121
Dividend income received		420,652	649,674
Sukuk and Interest income received		1,222	5,282
Net cash from investing activities		1,775,967	939,749
FINANCING ACTIVITIES			
Net proceeds from borrowings		11,907,855	-
Repayment of borrowings and bonds		-	(1,354,250)
Finance costs paid		(690,776)	(3,211,834)
Net cash from/(used in) financing activities		11,217,079	(4,566,084)
Net increase/(decrease) in cash and cash equivalents		1,905	(1,610,029)
Cash and cash equivalents at beginning of the period		5,330,153	6,333,732
Cash and cash equivalents at end of the period	6	5,332,058	4,723,703

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and Activities

Al Mal Investment Company – KSC (Closed), (“the parent company”), is a Kuwaiti closed shareholding company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company and its shares are listed on the Kuwait Stock Exchange. The parent company and its subsidiaries are together referred to as “the Group”.

The principal objectives of the parent company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

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 Law No. 97 of 2013.

On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

The address of the parent company’s registered office is PO Box 26308, Safat 13124, State of Kuwait.

The interim condensed consolidated financial information for the nine month period ended 30 September 2013 was authorised for issue by the parent company’s board of directors on 9 January 2014.

2 Fundamental accounting concept

For the nine months ended 30 September 2013, the Group incurred a loss of KD4,878,104 and as at that date the Group’s accumulated losses amounted to KD17,388,211 and the groups had liabilities of KD84,310,360 majority of which are due within one year. Furthermore, as noted in note 13 bank loans and Islamic debt instruments totalling to KD3,600,000 and KD16,758,466 respectively, of the Group have matured/become due as of the reporting date and further the Group defaulted on repayment of an instalment related to the Bonds issued of KD526,583 and accrued interest due which has resulted in the total amount of KD11,988,000 becoming due (refer note 14). As noted in note 13.4 one of the lenders to whom an amount of KD3,600,000 is due has also initiated legal proceedings to foreclose on the Parent Company.

The factors mentioned above cast significant doubt about the Groups ability to continue as a going concern and its ability to realize its assets and discharge its liabilities in the normal course of business.

The management of the Parent Company have taken a number of steps, to regularize/manage the Groups obligations, obtain longer term funding and to improve operations and generating cash flows: some of which are described below:

Notes to the interim condensed consolidated financial information (continued)

2 Fundamental accounting concept (continued)

- As noted in note 13, the management of the parent company is actively pursuing the restructuring of the above mentioned debt obligations with the related financial institutions which is expected to be completed within six to twelve months. Further the management of the parent company has also filed complaints and legal cases to counter the legal action initiated by the lender mentioned above and at the same time have engaged in discussions with the said lender for the withdrawal of the law suit and restructure of dues (refer note 13.4).
- As noted in note 14, with regard to the bonds the management of the parent company has requested a meeting with the bondholders on 10 November 2013 to extend the maturity of the bonds. The meeting was postponed to 17 November 2013 as the quorum was not met.
- The parent company's management is evaluating various strategies to improve the operating performance, financial position, and adequacy of financial resources of the Group (including a plan to exit certain investments) to enable to meet its future obligations on due dates. As the Groups total assets exceeded its liabilities by KD 48,536,614 the Parent Company's management believes the Group has adequate resources to meet its obligations in future, if an effective strategy is implemented to utilize such assets in future and /or exit at the right time.

The ability of the Group to continue as a going concern is dependent on availability of the continued support from the financial institutions and Bondholders (i.e rescheduling of the profit/interest bearing borrowings and Bonds mentioned in note 13 and 14), related parties and shareholders and the ability of the Group to improve future profitability and cash flows. The management of the parent company are in negotiations and discussions with the lenders and therefore, has prepared the interim condensed consolidated financial information under the going concern concept of accounting.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts or to the amount of liabilities to reflect the fact that the Group may be required to realize its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the interim condensed consolidated financial information.

3 Basis of presentation and changes to accounting policies

Basis of presentation

This interim condensed consolidated financial information of the group for the nine-month period ended 30 September 2013 has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2012 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision made on all applicable credit facilities (Net of certain categories of collateral) that are not provided for specifically.

Notes to the interim condensed consolidated financial information (continued)

3 Basis of presentation and changes to accounting policies (continued)

Basis of presentation (continued)

This interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the parent company.

This interim condensed consolidated financial information does not contain all the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2012.

Operating results for the nine month period ended 30 September 2013 are not indicative of the results that may be expected for the year ending 31 December 2013. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2012.

Ijara financing

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Changes to accounting policies

Adoption of new IASB Standards and amendments during the period

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and amendments effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim consolidated financial statements of the Group.

Notes to the interim condensed consolidated financial information (continued)

3 Basis of presentation and changes to accounting policies (continued)

The nature and the impact of each new standard/amendment is described below:

<i>Standard</i>	<i>Effective for annual periods beginning</i>
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
Annual Improvements 2009-2011	1 January 2013

IAS 1 Presentation of Financial Statements

The amendment to IAS 1 requires entities to group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

- a) Potentially reclassifiable to consolidated statement of income in a subsequent period, and
- b) That will not be reclassified to consolidated statement of income subsequently.

The amendments to IAS 1 changed the current presentation of the consolidated statement of comprehensive income of the Group; however the amendment affected presentation only and had no impact on the Group's financial position or performance.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. To meet the definition of control in IFRS 10, all nine criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. IFRS 10 did not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

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 application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

Notes to the interim condensed consolidated financial information (continued)

3 Basis of presentation and changes to accounting policies (continued)

IFRS 13 Fair Value Measurement (continued)

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 16. The provisions in IAS 34 and transition provisions of IFRS 13 do not require comparative information for periods before initial application of IFRS 13. Consequentially, the Group does not provide the comparative information.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 ‘Financial Instruments: Disclosures’ (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

Annual Improvements 2009-2011 (the Annual Improvements)

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarised below:

Clarification of the requirements for opening statement of financial position (amendments to IAS 1):

- clarifies that the appropriate date for the opening statement of financial position (“third balance sheet”) is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

Clarification of the requirements for comparative information provided beyond minimum requirements amendments to IAS 1):

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Segment information for total assets and liabilities (amendments to IAS 34):

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed in interim financial information if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

Notes to the interim condensed consolidated financial information (continued)

3 Basis of presentation and changes to accounting policies (continued)

Annual Improvements 2009-2011 (the Annual Improvements) (continued)

The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. See Note 15.

IASB Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's statements.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IAS 32 Financial Instruments: Presentation – amendments	1 January 2014

IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

Notes to the interim condensed consolidated financial information (continued)

4 Management fees and other income

	Three months ended		Nine months ended	
	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
Management and consultancy fees	157,005	90,093	237,532	264,934
Rental income	132,258	131,924	403,424	398,244
Other Income	(2,319)	2,051	15,125	3,584
	286,944	224,068	656,081	666,762

5 Basic and diluted loss per share

Loss per share is calculated by dividing the loss for the period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the period as follows;

	Three months ended		Nine months ended	
	30 Sept. 2013 (Unaudited)	30 Sept. 2012 (Unaudited)	30 Sept. 2013 (Unaudited)	30 Sept. 2012 (Unaudited)
Loss for the period attributable to the owners of the parent (KD)	(4,154,344)	(2,385,172)	(4,114,987)	(4,443,525)
Weighted average number of ordinary shares outstanding during the period	528,281,250	528,281,250	528,281,250	528,281,250
Basic and diluted loss per share	(7.86) Fils	(4.51) Fils	(7.79) Fils	(8.41) Fils

6 Cash and cash equivalents

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Cash and bank balances	4,414,735	2,854,151	2,194,466
Short term deposits	2,809,694	2,820,799	2,835,487
Cash balances with portfolio managers	7,629	1,555,203	1,593,750
Cash and cash equivalents as per interim condensed consolidated statement of financial position	7,232,058	7,230,153	6,623,703
Less: Blocked deposits *	(1,900,000)	(1,900,000)	(1,900,000)
Cash and cash equivalents as per interim condensed consolidated statement of cash flow	5,332,058	5,330,153	4,723,703

* Short term deposits of KD1,900,000 (31 December 2012: KD1,900,000 and 30 September 2012: KD1,900,000) related to a subsidiary company are pledged against Islamic debt instruments of the same subsidiary.

Short term deposits carry average effective interest rate of 1.55% (31 December 2012: 1.03% and 30 September 2012: 1.22%).

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other assets

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Advance payment to purchase investments	1,740,575	1,727,865	1,683,148
Refundable development expenses (6.1)	16,224,234	15,848,901	14,639,600
Amounts due on sale of investments	1,741,353	-	-
Due from related parties - net of provision	350,471	219,410	163,023
Trade receivables	279,394	267,827	378,890
Accrued income	37,422	795,979	822,244
Other assets	739,048	766,233	723,488
	21,112,497	19,626,215	18,410,393

7.1 Refundable development expenses represent development cost incurred to develop an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The parent company is the main developer for this project. A new shareholding company is being incorporated in Saudi Arabia to own and manage this project. The legal formalities are currently in process to establish that Saudi shareholding company. As per the agreement, with Saudi Authority on incorporation of the Saudi shareholding company the total expenses incurred for the project will be re-reimbursed to the Group.

7.2 During the current quarter, the Group recognised an impairment provision against accrued income amounting to KD1,062,466 (30 September 2012 against advance payment to purchase investments KD4,316,245) related to investment in sukuk

8 Available for sale investments

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Investments in unquoted shares	5,739,440	6,359,388	6,167,714
Investments in private equity funds	1,519,992	5,158,450	5,831,379
Investments in direct equity funds	1,212,013	3,545,723	3,492,068
Investments in portfolios managed by others	302,657	309,309	309,308
	8,774,102	15,372,870	15,800,469

8.1 Available for sale investments include investments of KD2,592,790 (31 December 2012: KD2,442,965 and 30 September 2012: KD3,789,300), carried at cost less impairment, if any, due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value. The Group's management believes that the available information for those investments has not indicated any impairment/further impairment in value.

8.2 Information for investments in private equity funds and direct equity funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

8.3 During the period, the Group recognised an impairment loss of KD36,839 (30 September 2012: KD152,519) for certain local and foreign investments.

8.4 During the period, the Group disposed investments in two direct equity funds for consideration of KD1,785,579 realizing a net gain of KD147,362.

Notes to the interim condensed consolidated financial information (continued)

8 Available for sale investments (continued)

8.5 During the period, the Group disposed an unquoted local investment for a consideration of KD662,025 (September 2012: KD3,000,000) realizing a loss of KD2,975 (September 2012: KD1,388,000).

8.6 During the period, the Group disposed certain private equity funds for a consideration of KD1,130,092 realizing a net loss of KD1,632,664.

9 Investments in sukuk

This represents investments by a local subsidiary in convertible sukuk issued by a foreign real estate institution. The Group has stopped accruing for any profit on the sukuk in the current quarter and has also fully provided for previous profits receivable (refer 7.2). Further, during the current quarter, the local subsidiary also recognised an impairment provision of KD1,902,847 (30 September 2012: KD Nil) against one of the sukuk investments.

10 Investment in associates

Company name	Ownership %	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 Audited KD	30 Sept. 2012 (Unaudited) KD
Ikarus Real Estate Co. – KSC (Closed) - Kuwait	25.00	38,210	41,050	41,777
Mac S.A. Incorporation Co. (Closed) - Tunisia	47.93	495,165	451,408	502,517
Falcon Aviation Group Limited- British Virgin Island	20.00	2,779,855	3,459,894	4,054,490
United Insurance Co. (Closed) - Syria	18.39	426,543	778,818	811,876
Advance Zone General Trading WLL – Kuwait (10.1)	40.00	9,475,192	7,074,828	7,054,663
		13,214,965	11,805,998	12,465,323

10.1 During the 1st quarter of 2012 the group acquired 30% of Advance Zone General Trading WLL (which owns a stake in Investment and Technology Group of Companies, Limited – B.V.I, a company which operates in the telecommunication sector in Iraq) for a consideration of KD3,894,240. A negative goodwill of KD3,135,973 (excess of the investors share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment) arose as a result of the above acquisition and this was recognised as income in the interim condensed consolidated statement of income for the period ended 30 September 2012 under "share of result of associates".

Further during the period the group entered into an agreement to acquire an additional 10% of Advance Zone General Trading WLL for a consideration of KD1,555,400. A negative goodwill of KD802,876 arose as a result of the additional acquisition and this was recognised in the interim condensed consolidated statement of income under "share of result of associates".

10.2 During the nine months ended 30 September 2012 the management of the group has decided to take an impairment provision on the total carrying value of Mazaya Gateway and Al Mustathmer Al-Watani which amounted to KD641,850 at the reporting date.

11 Investment properties

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Investment properties	7,998,686	8,175,929	8,689,020
Land and properties under development (note 12)	67,941,149	66,123,888	65,862,339
	75,939,835	74,299,817	74,551,359

Notes to the interim condensed consolidated financial information (continued)

11 Investment properties (continued)

11.1 The movement for investment properties is as follows:

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Balance as of 1 January	74,299,817	72,345,033	72,345,033
Change in fair value	1,041,654	1,974,667	2,191,743
Additions	825,168	-	-
Foreign currency translation adjustment arising on consolidation	(226,804)	(19,883)	14,583
	75,939,835	74,299,817	74,551,359

Investment properties with a carrying value of KD5,651,755 (31 December 2012: KD5,576,850 and 30 September 2012 : KD6,014,155) of a local subsidiary are pledged against Islamic debt instruments. Further investment property with a carrying value of KD67,941,149 are subject to a Ijara financing facility (refer note 13.6).

The above properties are located in GCC and other Middle Eastern countries.

The Group evaluates its investment properties by independent valuers semi annually.

12 Accounts payable and other liabilities

Accounts payable at 31 December 2012 included an amount of KD11,378,545 (30 September 2012: KD11,372,510) which represented one of the local subsidiary's payable on purchase of investment properties in Qatar with a carrying value of KD66,123,888 at that date (note 11). During the current quarter, this amount has been fully settled from the funds received from an Ijara financing (refer note 13.6).

13 Borrowings

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Loans	28,600,000	28,600,000	28,600,000
Islamic debt instruments (refer note 5)	31,182,994	19,087,664	18,961,857
	59,782,994	47,687,664	47,561,857

13.1 The following is the maturity analysis of loans and Islamic debt instruments:

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Less than 1 year	57,266,271	21,582,810	19,845,183
From 1 year to 5 years	2,516,673	26,104,854	27,716,674
	59,782,994	47,687,664	47,561,857

Notes to the interim condensed consolidated financial information (continued)

13 Borrowings (continued)

13.2 Loans and facilities have been granted to the parent company based on negative pledges on the Parent Company's assets.

13.3 Investment properties and term deposits of a local subsidiary are pledged against Islamic debt instruments of KD8,275,139 (31 December 2012: KD8,087,664 30 September 2012: KD7,961,547) related to that subsidiary.

13.4 Out of the total Loans of KD60,346,098, as of 30 September 2013, an amount of KD39,600,000 is related to the Parent Company. During February & March 2013, the management of the Parent Company has requested from all its lenders; to whom repayments were due in instalments from 2013 to 2016; to restructure its loans facilities totalling to KD28,600,000 and was able to successfully restructure most of its debts totalling to KD25,000,000 on a bullet payment basis (due in March & April 2014) as opposed to the instalment payment as per the previous agreements. Loans of KD11,000,000 obtained from a local Islamic bank were already on a bullet payment basis during 2013, of which an amount of KD3,000,000 has fallen due during June 2013 and amount of KD8,000,000 has fallen due during September 2013 and the lender has formally requested settlement of the amount due immediately in order for the bank not to initiate legal proceedings. The parent company has requested the local Islamic bank to renew the principle amount for another year and is actively engaged with the lender to restructure the dues. Further one of the lenders, a local bank, (the "bank") have declined the restructuring request for the loan of KD3,600,000 (which was due in instalments) and informed the company to settle the instalment of KD600,000 on the due date which was 31 March 2013 in order for the bank not to initiate legal proceedings. The parent company's management was of the view that settlement of the instalment due may result in the Parent Company contradicting the other reschedulement agreements signed with the remaining lenders and consequently has requested the bank to reconsider the reschedulement request. On 10 April 2013 the parent company was informed that the bank has initiated legal proceedings to foreclose on the Parent Company as per executive order relating to the loan, and accordingly the total loan of KD3,600,000 has become due along with the related interest. The Parent Company has filed a complaint against this order which resulted in suspension of the executive order till the next court hearing which was scheduled to be held on 25 April 2013 and then postponed to 2 May 2013. On 2 May 2013, the court rejected the parent company's complaint and the parent company intends to appeal the court decision. Further on 22 May 2013, the parent company filed a case against the foreclosure and the court rejected this case. The parent company has appealed the court decision and the court has rejected the appeal on 18 August 2013. Furthermore, the parent company has also filed a formal request for an expert to consider the issue and the hearing related to this was scheduled to be on 7 October 2013 and has been postponed to 25 November 2013. Since the litigation is in the preliminary stage, the management of the Parent Company is of the view, that the probable outcome cannot be estimated reliably. Further the management of the Parent Company are confident that the legal proceedings will not result in any immediate payments to the bank and is of the view that the Group has the necessary funds to meet the dues to the lender, when required.

Furthermore the Parent Company is currently under renegotiation with the local bank who has initiated legal proceedings to settle the disputes out of courts.

13.5 In relation to the loans of KD8,275,139 obtained by a subsidiary of the Group, loans totalling to KD5,758,466 obtained from a local Islamic bank, have fallen due in February, March and April 2013, and the subsidiary has requested the Islamic bank to settle the entire profit of the loan amount plus part of the principle against short term deposits held by the same bank and to restructure the balance due. The subsidiary's is currently awaiting response from the local Islamic bank on its suggested reschedulement plan.

Notes to the interim condensed consolidated financial information (continued)

13 Borrowings (continued)

- 13.6 During the current quarter, a local subsidiary obtained Ijara financing from a Qatari financial institution for a total amount of KD11,907,855 the purpose of the loan was to settle the remaining instalment dues on an investment property located in Qatar (refer note 12).
- 13.7 The effective interest rate of loans is 6.167% (31 December 2012: 6.3% and 30 September 2012: 6.5%). The effective cost rate of the Islamic debt instruments is 6.92% (31 December 2012: 6.96% and 30 September 2012: 6.5%).

14 Bonds issued

During October 2007, the parent company entered into an agreement to issue unsecured fixed rate bonds of KD 10,000,000 and floating rate bonds of KD3,320,000 at an issue price of 100% of their principal amount with original maturity on 2 October 2010. On 23 September 2010 with the consent of the bond holders the maturity of the bonds were extended until 2 October 2012. On 20 September 2012 the Bondholders approved the extension of the maturity date of the bonds to 2 October 2013 provided that the company repay 10% of the nominal value of the bonds on 2 October 2012, and 20% of the nominal value on or before 1 September 2013. Consequently the parent company settled the 10% amounting to KD1,332,000 on 26 September 2012 and this resulted in the reduction of the amount due on bonds issued to KD11,988,000 (fixed rate bonds KD9,000,000 and floating rate bonds KD2,988,000). The fixed bonds bear fixed interest rate at 8.875% per annum and the floating bonds bear floating interest rate at 5.5% over the Central Bank of Kuwait discount rate. Interest is payable semi-annually in arrears.

On 30 September 2013 the Bondholders agreed to extend the due date of the bonds (including the 20% due on 1 September 2013) to 18 November 2013 provided that the Group repay an amount of KD562,533 and accrued interest. The Group has failed to pay this amount and on the 24 October 2013 the Bondholders met and decided to notify the Parent Company of the default in paying the amount KD562,533 and accrued interest, and accordingly noted that the entire bond amount of KD11,988,000 became due.

On 29 October 2013 the Group has requested a meeting to be held on 10 November 2013 with the bondholders to extend the maturity of the bonds to 18 November 2014. The meeting was postponed to 17 November 2013 as the quorum was not met at the meeting which was held on 10 November 2013.

On 17 November 2013 a meeting was held and a decision could not be taken on the extension of bonds as the legally established percentage was not met and therefore the bonds remains due as of the maturity date.

15 Share capital

The authorised, issued and paid up capital of the parent company amounts to KD52,828,125 distributed over 528,281,250 shares with 100 fils par value each as of 30 September 2013, 31 December 2012 and 30 September 2012.

16 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control.

Notes to the interim condensed consolidated financial information (continued)

16 Related party transactions (continued)

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

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from related parties (see note 7)	350,471	219,410	163,023
Due to related parties ** (included under accounts payable and other liabilities)	3,831,087	3,956,918	3,980,507
Due to related parties (included within trade payables)	1,615,028	1,553,013	1,590,684

** Due to related parties includes an interest free advance of KD2,750,000 from a related party with no specific repayment terms.

	Three months ended		Nine months ended	
	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of income:				
Management fees	33,029	-	57,146	-
Key management compensation				
Short term benefits	82,787	39,508	248,362	225,031
Employee end of service indemnity	7,028	3,281	21,070	27,731

17 Segmental information

The Group's activities are concentrated in three main segments: real estate, investment and finance. The segments' results are based on internal management reporting information that is reported to the higher management of the group.

The following is the segments information, which conforms with the internal reporting presented to management.

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Nine months ended 30 September 2013					
Income	2,035,119	(634,331)	312,285	448,963	2,162,036
Expenses and other charges	(67,963)	(36,839)	(5,623,933)	(1,311,405)	(7,040,140)
Profit/(loss) for the period	1,967,156	(671,170)	(5,311,648)	(862,442)	(4,878,104)
Total assets	75,939,835	42,985,497	7,399,688	6,521,955	132,846,975
Total liabilities	-	7,082,558	71,770,994	5,456,809	84,310,361

Notes to the consolidated financial statements (continued)

17 Segmental information

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Nine months ended 30 September 2012					
Income	2,589,987	2,567,944	456,502	244,145	5,858,578
Expenses and other charges	(37,217)	(5,110,615)	(3,132,149)	(1,690,932)	(9,970,913)
Profit/(loss) for the period	2,552,770	(2,542,671)	(2,675,647)	(1,446,787)	(4,112,335)
Total assets	74,551,359	46,500,768	9,029,835	6,740,776	136,822,738
Total liabilities	12,710,454	6,174,404	59,549,857	2,547,006	80,981,721
Three months ended 30 September 2013					
Income	722,299	(1,510,953)	2,436	(522,351)	(1,308,569)
Expenses and other charges	(67,964)	-	(3,784,429)	(119,308)	(3,971,701)
Profit/(loss) for the period	654,335	(1,510,953)	(3,781,993)	(641,659)	(5,280,270)
Three months ended 30 September 2012					
Income	131,924	(1,337,578)	144,406	65,223	(996,025)
Expenses and other charges	(16,501)	-	(1,051,101)	(277,295)	(1,344,897)
Profit/(loss) for the period	115,423	(1,337,578)	(906,695)	(212,072)	(2,340,922)

18 Financial Instruments

18.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	30 Sept. 2013 (Unaudited) KD
Receivables(at amortised cost):	
• Cash and cash equivalents	7,232,058
• Accounts receivable and other assets	21,112,497
• Investments in sukuk	4,589,994
Investments at fair value through profit or loss:	
• Designated on initial recognition	1,844,213
Available for sale investments (refer note 8)	8,774,102
	43,552,864
Other financial liabilities:	
• Accounts payable and other liabilities	12,051,692
• Borrowings	59,782,994
• Bonds issued	11,988,000
	83,822,686

Notes to the consolidated financial statements (continued)

18 Financial instruments (continued)

Fair value represents 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. In the opinion of the parent company's management, except for certain investments at fair value through profit or loss and available for sale investments which are carried at cost less impairment for reasons specified below and note 8 respectively, the carrying amounts of financial assets and liabilities as at 31 December 2012 and 2011 approximate their fair values.

Investment at fair value through profit and loss includes, unquoted shares totalling KD1,621,956 (31 December 2012 KD1,621,956 and 30 September 2012: KD1,621,956) which represents investment in two GCC unlisted companies. Due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value, the Group's management has decided to carry these investments based on the last transaction price or the last carrying value stated by the portfolio manager in previous years, which would be deemed as these investments revised cost. The Group's management believes that the available information for the investment has not indicated any impairment in value.

18.2 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into nine levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

30 September 2013		Level 1	Level 2	Level 3	Total Balance
	Note	KD	KD	KD	KD
Assets at fair value					
Investment at fair value through profit or loss:					
-					
-	a	-	-	222,257	222,257
Available for sale investments:					
-	b	-	-	3,311,776	3,311,776
-	c	-	-	1,519,992	1,519,992
-	c	-	-	1,111,516	1,111,516
-	d	-	-	238,028	238,028
<hr/>					
Total assets		-	-	6,403,569	6,403,569

Notes to the consolidated financial statements (continued)

18 Financial instruments (continued)

Fair value measurements

The Group's measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 Sept. 2013 (Unaudited) KD
Opening balance	13,014,908
Change in fair value	(152,919)
Disposals during the year	(5,904,851)
Moved from level 3 to carried at cost	(740,560)
Additions during the period	187,000
Closing balance	6,403,578

During the nine-month period ended 30 September 2013, there were no transfers between Level 1 and Level 2 fair value measurements. The fair value decrease of KD152,919 was recorded in other comprehensive income. Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Managed portfolio and funds (International)

The underlying investments in managed portfolios and funds represents quoted bonds and securities and unquoted securities. They are valued based on latest reports received from the managers.

b) Unquoted shares

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the average of recent transaction prices for these investments and other valuation techniques.

c) Private and direct equity funds

The underlying investments in these private and direct equity funds mainly represent local and foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

d) Portfolios managed by others

The underlying investments in managed portfolios represent quoted and unquoted securities. They are valued based on latest fund manager's reports.

19 Contingent liabilities and commitments

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Bank guarantees	-	40,000	40,000
Uncalled instalment for financial investments	51,019	364,733	364,545
Capital commitment related to intangible asset	1,386,400	1,378,569	1,377,860

Notes to the consolidated financial statements (continued)

20 Assets under management

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 30 September 2013 amounted to KD74,840,678 (31 December 2012: KD71,719,970 and 30 September 2012: KD72,835,559) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2012 KD10,000,000 and 30 September 2012 KD10,000,000).

21 Dividend distribution

The general assembly held on 22 July 2013, approved the consolidated financial statements for the year ended 31 December 2012 and the directors' proposal not to distribute any dividends for the year then ended.