Interim condensed consolidated financial information and review report

Al Mal Investment Company – KPSC and Subsidiaries

Kuwait

30 September 2014 (Unaudited)

Grant Thornton
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 – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Mal Investment Company (A Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 30 September 2014 and the related interim condensed consolidated statements of profit or loss, 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 (2). 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 (2).

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 15 to the interim condensed consolidated financial information regarding Bonds issued amounting to KD4,950,000 which have not been settled or renewed up to the date of issuing these financial statements.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Assets				
Cash and cash equivalents	7	**10,448,484**	5,248,316	7,232,058
Investments at fair value through profit or loss	8	**-**	796,942	1,844,213
Accounts receivable and other assets	9	**23,184,265**	20,186,473	21,112,497
Available for sale investments	10	**5,656,186**	8,343,759	8,774,102
Investment in sukuk	11	**3,662,663**	3,897,714	4,589,994
Investment in associates	12	**13,259,211**	12,487,150	13,214,965
Investment properties	13	**10,278,891**	74,861,147	75,939,835
Property and equipment		**55,135**	37,599	48,979
Goodwill		**90,332**	90,332	90,332
Total assets		**66,635,167**	125,949,432	132,846,975
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		**9,768,947**	12,905,963	12,051,692
Borrowings	14	**15,918,669**	58,427,936	59,782,994
Bonds	15	**7,061,400**	11,988,000	11,988,000
Employees' end of service indemnity		**287,379**	351,213	487,675
Total liabilities		**33,036,395**	83,673,112	84,310,361
Equity				
Share capital	16	**52,828,125**	52,828,125	52,828,125
Foreign currency translation reserve		**(587,190)**	(815,385)	(485,436)
Cumulative changes in fair value		**31,950**	499,433	561,557
Accumulated losses		**(25,723,131)**	(22,651,149)	(17,388,211)
Equity attributable to owners of the Parent Company		**26,549,754**	29,861,024	35,516,035
Non-controlling interests		**7,049,018**	12,415,296	13,020,579
Total equity		**33,598,772**	42,276,320	48,536,614
Total liabilities and equity		**66,635,167**	125,949,432	132,846,975

Abdulkareem Abdullah Al-Muttawa
Chairman

Abdul Wahab Abdul Rahman Al-Mutawa
Chief Executive Officer

The notes set out on pages 9 to 24 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2014 (Unaudited) KD	Nine months ended 30 Sept. 2013 (Unaudited) KD
OPERATING ACTIVITIES			
Loss for the period		(8,487,912)	(4,878,104)
Adjustments for:			
Impairment of available for sale investments		87,506	36,839
Impairment of accounts receivable and other assets		-	1,062,466
Impairment of investment in sukuk		-	1,902,847
Change in fair value of investment properties		(151,721)	(1,041,654)
Gain on settlement of borrowings		(8,220,495)	-
Gain on settlement of bonds		(1,931,311)	-
Realised loss on disposal of investment property		17,441,140	-
Realised (gain)/loss on sale of available for sale investments		(414,748)	1,488,277
Realised gain on sale of property and equipment		-	(590,041)
Dividend income		(318,455)	(420,652)
Share of results of associates		(594,748)	(177,839)
Depreciation		4,876	33,003
Provision for employees end of service benefits		53,873	75,275
Sukuk & interest income		(69,594)	(312,285)
Finance costs		1,457,143	2,658,619
		(1,144,446)	(163,249)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		796,942	(51,095)
Accounts receivable and other assets		(2,973,996)	(496,332)
Accounts payable and other liabilities		(2,222,389)	(12,274,964)
Cash used in operations		(5,543,889)	(12,985,640)
Employee end of service benefits paid		(117,707)	(5,501)
Net cash used in operating activities		(5,661,596)	(12,991,141)
INVESTING ACTIVITIES			
Net change in investments in sukuk		235,051	(123,444)
Additions to property and equipment		(22,412)	(9,143)
Proceeds from sale of property and equipment		-	1,443,559
Additions to available for sale investments		-	(187,000)
Proceeds from sale/redemption of available for sale investments		2,547,333	2,564,837
Additions to investment in associates		-	(1,555,400)
Additions to investment properties		(2,741,811)	(825,168)
Proceeds from sale of investment property		50,042,665	-
Dividend received from associates		23,796	45,852
Dividend income received		318,455	420,652
Sukuk and Interest income received		69,594	1,222
Net cash from investing activities		50,472,671	1,775,967
FINANCING ACTIVITIES			
Net proceeds from borrowings		-	11,907,855
Borrowings paid		(34,606,977)	-
Bonds paid		(3,519,000)	-
Finance costs paid		(1,484,930)	(690,776)
Net cash (used in)/from financing activities		(39,610,907)	11,217,079
Net increase in cash and cash equivalents		5,200,168	1,905
Cash and cash equivalents at beginning of the period		5,248,316	5,330,153
Cash and cash equivalents at end of the period	7	10,448,484	5,332,058

The notes set out on pages 9 to 24 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 three month period ended 30 September 2014 was authorised for issue by the Parent Company's board of directors on 16 November 2014.

The annual consolidated financial statements for the year ended 31 December 2013 were authorised for issuance by the board on 14 May 2014 and are approved by the shareholders at the Annual General Meeting held on 17 August 2014.

2 Fundamental accounting concept

For the nine months ended 30 September 2014, the Group incurred a loss of KD8,487,912 (KD3,071,982 attributable to owners of the Parent Company) and as at that date the Parent Company's accumulated losses amounted to KD25,723,131 and the Group had liabilities of KD33,036,395 majority of which are due within one year. Furthermore, the Group defaulted on repayment of the Bonds issued and accrued interest due which had resulted in the total amount of KD4,950,000 becoming due (refer note 15). However, the management of the Parent Company, based on the following reasons, has prepared the interim consolidated financial information for the period ended 30 September 2014 on a going concern basis;

- As noted in note 14.3 the management of the Parent Company has actively engaged with its lenders to restructure the Parent Company's borrowings amounting to KD39,401,583 and has successfully reached an agreement on the settlement/waiver/restructuring of the balances.
- As noted in note 15, the management of the Parent Company is actively engaged with its bondholders to restructure the dues as well and expects to complete such discussions within three to six months.

Notes to the interim condensed consolidated financial information (continued)

2 Fundamental accounting concept (continued)

- The Parent Company's management is also 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. Accordingly the Group has been able to exit certain investments during the current period as well and this has resulted in the Group being able to settle loans amounting to KD42,563,664 (including the waivers) as part of the restructuring agreements and the Group's Cash and Cash equivalents increasing to KD10,448,484 as of 30 September 2014. Based on the Cash & cash equivalents available to the Group as of the reporting date, the proposed debt to equity swap referred to in note 14.3 and note 15, and the fact that the Groups total assets exceeded its liabilities by KD33,598,772 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.

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 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 2014 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 2013 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.

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 the Parent Company's 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 2013.

Operating results for the nine-months period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2013.

Notes to the interim condensed consolidated financial information (continued)

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

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 information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and amendments effective as of 1 January 2014.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 32 Financial Instruments: Presentation – Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies	1 January 2014

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

IAS 32 Financial Instruments: Presentation - Amendments

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 required to be applied retrospectively. The adoption of the amendment did not result in any material impact on the Group's interim condensed consolidated financial information.

IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The Amendment makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

Notes to the interim condensed consolidated financial information (continued)

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

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (continued)

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

IFRIC 21 'Levies' (IFRIC 21)

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on specific date within an accounting period then the entire obligation is recognised on that date
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions but the adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

4 Subsidiary Companies

During the current period, the Parent Company has acquired 100% of the total shares of Quick Facilities Management – LLC, a Company which has been incorporated recently in Dubai - UAE; the subsidiary has a capital of UAE Dirhams 300,000 (equivalent to KD23,568) and was acquired at book value and the primary objective of the subsidiary is "Facilities Management Services".

5 Management fees and other income

	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	**30 Sept. 2014 (Unaudited) KD**	30 Sept. 2013 (Unaudited) KD
Management and consultancy fees	**(77,768)**	157,005	**317,151**	237,532
Rental income	**150,823**	132,258	**429,614**	403,424
Other Income	**8,552**	(2,319)	**11,410**	15,125
	81,607	286,944	**758,175**	656,081

Notes to the interim condensed consolidated financial information (continued)

6 Basic and diluted profit/(loss) per share

Profit/(loss) per share is calculated by dividing the profit/(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. 2014 (Unaudited)	30 June 2013 (Unaudited)	**30 Sept. 2014 (Unaudited)**	30 June 2013 (Unaudited)
Profit/(loss) for the period attributable to the owners of the parent (KD)	**3,961,121**	(4,154,344)	**(3,071,982)**	(4,114,987)
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 earnings/(loss) per share	**7.50 Fils**	(7.86) Fils	**(5.82) Fils**	(7.79) Fils

7 Cash and cash equivalents

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Cash and bank balances	**9,671,063**	3,335,929	4,414,735
Short term deposits	**754,597**	1,905,107	2,809,694
Cash balances with portfolio managers	**22,824**	7,280	7,629
Cash and cash equivalent as per interim condensed consolidated statement of financial position	**10,448,484**	5,248,316	7,232,058
Less: Blocked deposits	-	-	(1,900,000)
Cash and cash equivalents as per interim condensed consolidated statement of cash flow	**10,448,484**	5,248,316	5,332,058

Short term deposits carry average effective interest rate of 0.91% (31 December 2013: 0.83% and 30 September 2013: 1.55%).

8 Investments at fair value through profit or loss

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Unquoted Shares			
- Local	-	-	825,000
- Foreign	-	796,942	796,942
Managed portfolios and funds			
- Foreign	-	-	222,271
	-	796,942	1,844,213

Unquoted Shares represent 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 had 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.

Notes to the interim condensed consolidated financial information (continued)

8 Investments at fair value through profit or loss (continued)

Based on the information available at 31 December 2013, the Groups management was of the view that local unquoted investment was irrecoverable and decided to carry the investment at KD Nil as of 31 December 2013 (30 September 2013: KD825,000). The decline of KD825,000 was recognised under unrealised loss from investments at fair value through profit or loss in the consolidated statement of profit or loss at the end of the year 2013.

Further, based on the latest information available, the Group's management is of the view that the foreign unquoted investment is irrecoverable as well and has decided to carry the investment at KD Nil as of 30 September 2014 (31 December 2013: KD796,942 and 30 September 2013: KD796,942). The decline of KD796,942 was recognised under unrealised loss from investments at fair value through profit or loss in the interim condensed consolidated statement of profit or loss.

9 Accounts receivable and other assets

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Advance payment to purchase investments	**1,743,988**	1,852,190	1,740,575
Refundable development expenses (9.1)	**17,204,730**	16,901,663	16,224,234
Due from related parties	**3,860,387**	241,067	1,741,353
Trade receivables	**308,858**	235,552	350,471
Accrued income & Dividends receivable	**11,608**	267,632	279,394
Receivable in relation to proceeds on sale of investments	**12,025**	662,025	37,422
Other assets	**42,669**	26,344	739,048
	23,184,265	20,186,473	21,112,497

9.1 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 was the main developer for this project.

During the current quarter, Knowledge Economic City (KEC) - Kingdom of Saudi Arabia (the relevant Saudi authority), has announced through different media channels the termination of Al-Mal Investment Contract (Developer of Prince Abdul Aziz Bin Musaed economic city – located in Hael) and assigning the development to Governmental parties. The management of the Parent Company is currently contacting KEC to inquire about this action, since based on the development contract, all contractual and formal procedures must be completed to rectify any breach (if any), before terminating the development contract.

Accordingly based on the discussions to date with the relevant Saudi authorities and upon consultations with the legal consultants and review of the development contract which stipulates that the total expenses incurred is re-imbursable, the Parent Company's Management is confident that the above refundable development expenses is recoverable in full.

Notes to the interim condensed consolidated financial information (continued)

10 Available for sale investments

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Investments in unquoted shares	**3,863,556**	5,719,133	5,977,468
- Local	**2,542,875**	2,608,147	2,608,147
- Foreign	**1,320,681**	3,110,986	3,369,321
Investments in private equity funds	**666,301**	1,432,007	1,519,992
- Foreign	**666,301**	1,432,007	1,519,992
Investments in direct equity funds	**915,482**	980,146	1,212,013
- Local	**915,482**	898,551	1,004,685
- Foreign	**-**	81,595	207,328
Investments in portfolios managed by others	**210,847**	212,473	64,629
- Local	**63,000**	64,626	64,629
- Foreign	**147,847**	147,847	-
	5,656,186	8,343,759	8,774,102

10.1 Available for sale investments include investments of KD2,260,274 (31 December 2013: KD4,117,074 and 30 September 2013: KD2,592,790), 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.

10.2 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.

10.3 During the period, the Group disposed the shares of a foreign unquoted company for consideration of KD1,800,000 realizing a net gain of KD576,860 (September 2013: disposed an unquoted local investment for a consideration of KD662,025 realizing a loss of KD2,975).

10.4 During the period ended 30 September 2013, the Group disposed investments in two direct equity funds for consideration of KD1,785,579 realizing a net gain of KD147,362.

10.5 During the period ended 30 September 2013, the Group disposed certain private equity funds for a consideration of KD1,130,092 realizing a net loss of KD1,632,664.

10.6 During the period, the Group recognised an impairment loss of KD87,506 for certain local and other foreign unquoted investments (30 September 2013: KD36,839), based on estimates made by management and the net asset values reported by investment managers at the reporting date.

11 Investments in sukuk

During the 3rd quarter of 2013, a local subsidiary recognised an impairment provision of KD1,902,847 against one of the sukuk investments.

Notes to the interim condensed consolidated financial information (continued)

12 Investment in associates

The movement in associates during the period/year is as follows:

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Opening balance	**12,487,150**	11,805,998	11,805,998
Additions during the period/year *	**-**	1,555,400	1,555,400
Share of results *	**594,748**	202,187	177,839
Groups share of associates change in other comprehensive income	**224,856**	67,387	77,652
Dividend received	**(23,796)**	(45,851)	(45,851)
Impairment in value	**-**	(691,955)	-
Exchange differences arising on translation of foreign operations	**(23,747)**	(406,016)	(356,073)
Ending balance	**13,259,211**	12,487,150	13,214,965

* During the first quarter of 2013, the company 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 as income in the interim condensed consolidated statement of profit or loss for the period ended 30 September 2013 under "share of result of associates".

13 Investment properties

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Investment properties	**10,278,891**	8,546,653	7,998,686
Land and properties under development (note 14.5)	**-**	66,314,494	67,941,149
	10,278,891	74,861,147	75,939,835

The movement for investment properties is as follows:

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Opening balance	**74,861,147**	74,299,817	74,299,817
Additions during the period/year	**2,741,811**	1,347,075	1,041,654
Disposals during the period/year	**(67,483,805)**	-	-
Change in fair value	**151,721**	(532,848)	825,168
Foreign currency translation adjustment arising on consolidation	**8,017**	(252,897)	(226,804)
	10,278,891	74,861,147	75,939,835

Investment properties with a carrying value of KD6,640,600 (31 December 2013: KD6,194,763 and 30 September 2013: KD5,651,755) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary. As of 31 December 2013, investment property of a local subsidiary with a carrying value of KD66,314,494 (30 September 2013: KD67,941,149) were subject to an Ijara financing facility (refer note 14).

Notes to the interim condensed consolidated financial information (continued)

13 Investment properties (continued)

Borrowing costs of KD1,169,311 (31 December 2013: KD774,354 and 30 September 2013: KD387,093) incurred in relation to the Ijara financing arrangement of a local subsidiary have been capitalised during the period.

During the current quarter, a local subsidiary purchased two local investment properties for a total consideration of KD1,572,500.

During the 1st quarter the Group disposed the investment property which was subject to an Ijara financing facility, with a carrying value of KD67,483,805 (31 December 2013: KD66,314,494), for a net consideration of KD50,042,665 resulting in a net loss of KD17,441,140. The proceeds from the disposal has been utilised to settle the Ijara financing liability and all related finance costs during the 1st quarter and part of the borrowings and bonds during the 2nd and 3rd quarters as more fully described in note 14 and 15.

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

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

14 Borrowings

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Loans	7,499,826	28,600,000	28,600,000
Islamic debt instruments (refer note 7)			
- Ijara Financing (14.4)	-	12,263,490	-
- Murabaha payables	8,418,843	17,564,446	31,182,994
	15,918,669	58,427,936	59,782,994

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

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Less than 1 year	10,799,826	55,873,581	57,266,321
From 1 year to 5 years	5,118,843	2,554,355	2,516,673
	15,918,669	58,427,936	59,782,994

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

14.3 Out of the total borrowings of KD15,918,669 as of 30 September 2014, an amount of KD10,799,826 is related to the Parent Company (31 March 2014: Out of KD46,050,589 an amount of KD39,401,583).

During the previous year the management of the Parent Company had commenced negotiations with all its lenders to restructure its dues, and loans of the Parent Company totalling to KD14,600,000 (along with the related profit/interest) had fallen due during the year 2013. Further during 2013 one of the lenders (a local bank) to whom an amount of KD3,600,000 was due had initiated legal proceedings and another lender (a local Islamic Bank) to whom an amount of KD11,000,000 was due had formally requested settlement of the amount due immediately in order for the Bank not to initiate legal proceedings. The Parent Company has/is actively engaged with all lenders to restructure its dues and accordingly during the previous quarter has successfully reached the following agreements with its lenders:

Notes to the interim condensed consolidated financial information (continued)

14 Borrowings (continued)

a) reached an out of court settlement with the local bank who initiated legal proceedings, and to whom a principle amount of KD3,401,583 plus interest was due as at 31 March 2014. As per the agreement the Parent Company settled in cash an amount of KD2,500,000 and the bank waived off the remaining principal and interest thereon. This has resulted in a gain of approximately KD1,020,610 (including interest) being recognised as income during the 2nd quarter, as "Gain on settlement of borrowings".

b) has also reached an agreement with three of the lenders to whom amounts totalling to KD36,000,000 were due as of 31 March 2014 to settle 50% of the amounts due in cash and consequently the lenders have agreed to waive 20% of the dues (including waiver of part of the interest dues) and to swap the remaining 30% of the debt into an equity stake in the Parent Company. The debt to equity swap is subject to approval of the shareholders, the relevant authorities and certain other conditions being met by the Parent Company. Consequent to these agreements reached, the Parent Company settled in cash 50% of the above mentioned dues amounting to KD18,000,174 during the 2nd quarter and the gain which resulted from the waiver of the principal and interest amounting to KD7,199,885 was recognized as income during the 2nd quarter as "Gain on settlement of borrowings".

Accordingly, the total gain on settlement of the above borrowings amounting to KD8,220,495 has been included in the statement of profit or loss for the period.

The management of the Parent Company is presently in the process of taking the necessary steps required to successfully complete the debt to equity swap (also refer note 16).

14.4 Out of the total borrowings of KD15,918,669 as of 30 September 2014, an amount of KD5,118,843 is related to a local subsidiary. Certain borrowing which fell due during the quarter have been successfully rescheduled by the subsidiary after settling an amount of KD1,500,000 against the loan balance. All loans of the subsidiary as of 30 September 2014 are due during October 2015.

14.5 During the 3rd quarter of the previous year, a local subsidiary obtained Ijara financing from a Qatari financial institution for a total amount of KD12,263,490 the purpose of the loan was to settle the remaining instalment dues on an investment property located in Qatar.

	KD
Gross amount	13,432,801
Less: Deferred finance cost	1,169,311
Net amount	12,263,490

The above financing was fully settled during the 1st quarter from the proceeds on sale of an investment property (refer note 13).

14.6 Investment properties of a local subsidiary are pledged against the Islamic Debt Instruments of KD5,118,483 (31 December 2013: KD6,194,763 and 30 September 2013: KD5,651,755).

14.7 The effective interest rate of loans is 6.5% (31 December 2013: 6.06% and 30 September 2013: 6.617%). The effective cost rate of the Islamic debt instruments is 5.95% (31 December 2013: 5.89% and 30 September 2013: 6.92%).

Notes to the interim condensed consolidated financial information (continued)

15 Bonds

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Bonds issued	4,950,000	11,988,000	11,988,000
Payable related to bonds	2,111,400	-	-
	7,061,400	11,988,000	11,988,000

During the previous year on 30 September 2013, the bondholders agreed to extend the due date of the bonds issued to 18 November 2013 (Originally matured on 2 October 2010 and then extended to 2 October 2012 and 2 October 2013), provided that the Group repay an amount of KD562,533 and accrued interest. However, the Group failed to pay this amount and on 24 October 2013 the Bondholders met and decided to notify the Parent Company of the Default in paying the amount of KD 562,533 and accrued interest, and accordingly the entire bonds issued 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 issued 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 issued remain due as of the maturity date.

During the period, the management of the Parent Company has submitted a proposal to the bondholders to settle 50% of the amounts due in cash and consequently the bondholders to agree to waive 20% of their dues (including interest) and to swap their remaining 30% of the outstanding bonds into an equity stake in the Parent Company. The planned debt to equity swap will result in bonds with a value of KD3,596,400 (30%) being converted into 35,964,000 new shares in the Parent Company's share capital at par value of 100fils per share.

Consequent to the above proposal, during the current quarter, the Group reached an agreement with bondholders (through a foreign subsidiary, refer note 4) to whom amounts totalling to KD7,038,000 were due as of 31 December 2013 to settle 50% of the amounts due in cash and consequently the bondholders have agreed to waive 20% of the dues (including interest) and to swap the remaining 30% of the outstanding bonds into an equity stake in the Parent Company. The debt to equity swap is subject to the approval of the shareholders and the relevant authorities. Consequent to these agreements reached, the Group through its foreign subsidiary settled in cash 50% of the above mentioned dues amounting to KD3,519,000 during the current quarter and the gain which resulted from the waiver of the principle amounting to KD1,407,600 and accrued interest amounting to KD523,711 was recognised as income during the current quarter as "Gain on settlement of bonds". The balance of KD2,111,400 due to the previous bondholders and which is to be converted to shares in the Parent Company has been included above as payable related to bonds. Consequent to the above the foreign subsidiary of the Group has re-purchased approximately 59% of the bonds issued as of 31 December 2013.

Out of the total bonds issued, bonds amounting to KD4,500,000 bear fixed interest rate at 8.875% per annum and bonds amounting KD450,000 bear floating interest rate at 5.5% over the Central Bank of Kuwait discount rate. Interest is payable semi-annually in arrears.

Subsequent to the reporting date, the Group through its foreign subsidiary reached a similar agreement (as noted in the previous paragraph) with an additional bondholder to whom an amount of KD900,000 was due as of 30 September 2014 and 31 December 2013 . Accordingly subsequent to the reporting date the Group through its foreign subsidiary settled in Cash 50% of the above mentioned dues amounting to KD450,000. The gain which has resulted from the waiver of the principle and accrued interest which amounts to KD180,000 will be recognised during the 4th quarter.

The Group is currently in discussion with the remaining bondholders as well to settle/restructure their amounts according to the above mentioned proposal.

Notes to the interim condensed consolidated financial information (continued)

16 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 2014, 31 December 2013 and 30 September 2013.

Subject to the requisite consent of the relevant authorities and the approval of the Shareholders Extraordinary General Assembly, on 13 August 2014 the board of directors have proposed to increase the Parent Company's share capital by KD14,396,226 distributed on 143,962,260 shares at par value of 100fils per share to be issued to the Parent Company's Lenders (banks and bondholders) by converting part of their debt into capital contribution along with waiving off the current shareholders right in subscribing in the proposed capital increase. The Extraordinary general assembly of the shareholders of the Parent Company to approve the above increase was scheduled to be held on 3 November 2014, but the meeting was postponed to 25 November 2014 as the quorum was not met at the meeting which was held on 3 November 2014.

17 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.

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

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from related parties (see note 9)	3,860,387	241,067	350,471
Due to related parties ** (included under accounts payable and other liabilities)	1,730,125	3,756,353	3,831,087
Due to related parties (included within trade payables)	1,605,763	1,572,510	1,615,028

** Due to related parties includes an interest free advance of KD750,000 (31 December 2013: KD2,750,000) from a related party with no specific repayment terms.

	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss:				
Management fees	(84,556)	33,029	69,790	57,146
Key management compensation				
Short term benefits	70,732	82,787	191,944	248,362
Employee end of service indemnity	8,606	7,028	18,865	21,070

Notes to the interim condensed consolidated financial information (continued)

18 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 2014					
Income	**(16,859,805)**	**848,160**	**10,221,400**	**185,120**	**(5,605,125)**
Expenses and other charges	**(84,859)**	**(87,506)**	**(1,457,143)**	**(1,253,279)**	**(2,882,787)**
(Loss)/profit for the period	**(16,944,664)**	**760,654**	**8,764,257**	**(1,068,159)**	**(8,487,912)**
Total assets	**10,278,891**	**47,570,027**	**4,417,260**	**4,368,989**	**66,635,167**
Total liabilities	**1,330,569**	**5,739,971**	**24,230,051**	**1,735,804**	**33,036,395**
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
Three months ended 30 September 2014					
Income	**150,823**	**1,028,522**	**1,935,825**	**(258,328)**	**2,856,842**
Expenses and other charges	**1,488**	**(42,847)**	**(473,010)**	**(444,462)**	**(958,831)**
Profit/(loss) for the period	**152,311**	**985,675**	**1,462,815**	**(702,790)**	**1,898,011**
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)

Notes to the interim condensed consolidated financial information (continued)

19 Financial Instruments

19.1 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. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Receivables(at amortised cost):			
• Cash and cash equivalents	**10,448,484**	5,248,316	7,232,058
• Accounts receivable and other assets	**23,184,265**	20,186,473	21,112,497
• Investments in sukuk	**3,662,663**	3,897,714	4,589,994
	37,295,412	29,332,503	32,934,549
Assets at fair value through profit or loss			
Investments at fair value through profit or loss:			
• Investments at fair value through profit or loss			
- Designated on initial recognition	**-**	796,942	1,844,213
	-	796,942	1,844,213
Available for sale investments (refer note 10)			
• At fair value	**3,395,912**	4,226,685	6,181,312
• At cost / cost less impairment	**2,260,274**	4,117,074	2,592,790
	5,656,186	8,343,759	8,774,102
	42,951,598	38,473,204	43,552,864
Other financial liabilities:			
• Accounts payable and other liabilities	**9,768,947**	12,905,963	12,051,692
• Borrowings	**15,918,669**	58,427,936	59,782,994
• Bonds	**7,061,400**	11,988,000	11,988,000
	32,749,016	83,321,899	83,822,686

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 available for sale investments and investments at fair value through profit or loss which are carried at cost less impairment for reasons specified in note 10 and 8 respectively, the carrying amounts of financial assets and liabilities as at 30 September 2014 and 31 December 2013 approximate their fair values.

19.2 Fair value hierarchy for financial instruments measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- 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 (that is, unobservable inputs).

Notes to the interim condensed consolidated financial information (continued)

19 Financial instruments (continued)

19.2 Fair value hierarchy for financial instruments measured at fair value (continued)

The level within which the 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 on a recurring basis in the interim consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
30 September 2014					
Assets at fair value					
Available for sale investments:					
- Unquoted shares	a	-	-	**2,470,946**	**2,470,946**
- Private equity funds	b	-	-	**666,301**	**666,301**
- Direct equity funds	b	-	-	**258,665**	**258,665**
- Portfolios managed by others	c	-	-	-	-
Total assets		-	-	**3,395,912**	**3,395,912**
31 December 2013					
Assets at fair value					
Available for sale investments:					
- Unquoted shares	a	-	-	1,670,529	1,670,529
- Private equity funds	b	-	-	1,428,164	1,428,164
- Direct equity funds	b	-	-	980,145	980,145
- Portfolios managed by others	c	-	-	147,847	147,847
Total assets		-	-	4,226,685	4,226,685

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 date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (audited) KD
Opening balance	**4,226,685**	13,101,064
Change in fair value	**(155,896)**	(203,106)
Disposals during the period/year	**(952,527)**	(6,339,012)
Additions during the period/year	**274,879**	187,000
Movement between level 3 and carried at cost (see note 10)	**90,277**	(2,339,106)
Impairment of level 3 investments	**(87,506)**	(180,155)
Closing balance	**3,395,912**	4,226,685

During the nine-month period ended 30 September 2014, there were no transfers between Level 1 and Level 2 fair value measurements. The fair value decrease of KD243,402 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.

Notes to the interim condensed consolidated financial information (continued)

19 Financial instruments (continued)

Measurement at fair value

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

a) Unquoted shares

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the net asset value reported in the latest available financial information, discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

b) 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.

c) Portfolios managed by others

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

20 Contingent liabilities and commitments

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Bank guarantees	-	40,000	-
Uncalled instalment for financial investments	-	44,348	51,019
Capital commitment related to intangible asset	-	-	1,386,400

21 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 2014 amounted to KD74,894,161 (31 December 2013: KD70,588,283 and 30 September 2013: KD74,840,678) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2013: KD10,000,000 and 30 September 2013: KD10,000,000).

22 Dividend

The general assembly of the shareholders held on 17 August 2014 has approved the Board of Directors' proposal not to distribute any dividend for the year ended 31 December 2013.