

Interim condensed financial information and review report
Ikarus Petroleum Industries Company – SAK (Closed)
Kuwait

30 September 2013

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Report on review of interim condensed financial information

To the board of directors of
Ikarus Petroleum Industries Company – SAK (Closed)
Kuwait

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Ikarus Petroleum Industries Company (A Kuwaiti Closed Shareholding Company) as of 30 September 2013 and the related interim condensed statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed 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 financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

Report on review of other legal and regulatory matters

Based on our review, the interim condensed 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.

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

Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Parker Randall (Allied Accountants)

Interim condensed 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
Income					
Realised gain/(loss) on sale investments at fair value through profit or loss		-	-	(161,296)	-
Unrealised (loss)/gain on investments at fair value through profit or loss		(310)	364,967	(189,480)	(306,736)
Realised gain on sale of available for sale investments		166,965	-	3,923,874	1,335,076
Dividend income from available for sale investments		1,389,211	1,141,253	8,632,973	7,679,649
Dividend income from investments at fair value through profit or loss		-	-	152,200	144,953
Interest and other income		34,028	63,013	131,926	194,860
Net gain on interest rate swap		-	2,217	-	14,315
Foreign exchange gain/(loss)		185,280	(104,442)	(283,937)	(280,421)
		1,775,174	1,467,008	12,206,260	8,781,696
Expenses and other charges					
Staff costs		107,737	95,150	315,140	325,903
Finance costs		481,294	358,217	1,093,871	1,061,495
Other operating expenses		81,114	83,970	250,905	262,395
		670,145	537,337	1,659,916	1,649,793
Profit before provision for KFAS, Zakat and NLST		1,105,029	929,671	10,546,344	7,131,903
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(9,963)	(8,367)	(94,935)	(64,187)
Provision for Zakat		(11,104)	(9,328)	(102,355)	(67,269)
Provision for National Labour Support Tax (NLST)		(27,759)	(23,319)	(255,886)	(170,372)
Profit for the period		1,056,203	888,657	10,093,168	6,830,075
Basic and diluted earnings per share	3	1.4 Fils	1.2 Fils	13.5 Fils	9.2 Fils

The notes set out on pages 7 to 17 form an integral part of this interim condensed financial information.

Interim condensed statement of comprehensive income

	Three months ended		Nine months ended	
	30 Sept.	30 Sept.	30 Sept.	30 Sept.
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	KD	KD	KD	KD
Profit for the period	1,056,203	888,657	10,093,168	6,830,075
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
- Net change in fair value arising during the period	7,306,861	1,527,738	13,315,743	(9,541,648)
- Transferred to statement of income on sale	(72,674)	-	(4,079,227)	(1,234,519)
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	7,234,187	1,527,738	9,236,516	(10,776,167)
<i>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
Total other comprehensive income for the period	7,234,187	1,527,738	9,236,516	(10,776,167)
Total comprehensive income for the period	8,290,390	2,416,395	19,329,684	(3,946,092)

The notes set out on pages 7 to 17 form an integral part of this interim condensed financial information.

Interim condensed statement of financial position

	Note	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Assets				
Non-current assets				
Available for sale investments	4	160,262,969	149,577,756	158,159,517
Current assets				
Available for sale investments	4	7,034,609	8,063,821	7,407,502
Investments at fair value through profit or loss	5	4,210,069	5,350,637	4,706,391
Due from parent company	9	3,285,326	5,153,751	5,093,540
Accounts receivable and other assets		56,377	65,298	65,193
Cash and cash equivalents	6	1,362,603	1,990,595	1,787,871
Total current assets		15,948,984	20,624,102	19,060,497
Total assets		176,211,953	170,201,858	177,220,014
Equity and liabilities				
Equity				
Share capital		75,000,000	75,000,000	75,000,000
Treasury shares		(793,687)	(611,443)	(611,443)
Legal reserve		5,218,070	5,218,070	4,275,667
Voluntary reserve		2,164,821	2,164,821	2,164,821
Cumulative changes in fair value		50,054,069	40,817,553	50,228,636
Retained earnings		10,464,383	9,324,655	8,148,377
Total equity		142,107,656	131,913,656	139,206,058
Liabilities				
Non-current liabilities				
Long term borrowings	7	32,412,550	-	-
Current liabilities				
Short term borrowings	8	863,185	37,392,425	37,375,375
Other liabilities		828,562	895,777	638,581
Total liabilities		34,104,297	38,288,202	38,013,956
Total equity and liabilities		176,211,953	170,201,858	177,220,014

Nader Hamad Sultan
Chairman

Suhail Yousef Abograis
Director & CEO

The notes set out on pages 7 to 17 form an integral part of this interim condensed financial information.

Interim condensed statement of changes in equity

	Share capital KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Total KD
Balance as at 1 January 2013	75,000,000	(611,443)	5,218,070	2,164,821	40,817,553	9,324,655	131,913,656
Purchase of treasury shares	-	(182,244)	-	-	-	-	(182,244)
Dividend distribution (Note 12)	-	-	-	-	-	(8,953,440)	(8,953,440)
Total transactions with owners	-	(182,244)	-	-	-	(8,953,440)	(9,135,684)
Profit for the period	-	-	-	-	-	10,093,168	10,093,168
Other comprehensive income for the period	-	-	-	-	9,236,516	-	9,236,516
Total comprehensive income for the period	-	-	-	-	9,236,516	10,093,168	19,329,684
Balance as at 30 September 2013 (unaudited)	75,000,000	(793,687)	5,218,070	2,164,821	50,054,069	10,464,383	142,107,656
Balance as at 1 January 2012	75,000,000	(611,443)	4,275,667	2,164,821	61,004,803	7,287,264	149,121,112
Dividend distribution (Note 12)	-	-	-	-	-	(5,968,962)	(5,968,962)
Total transactions with owners	-	-	-	-	-	(5,968,962)	(5,968,962)
Profit for the period	-	-	-	-	-	6,830,075	6,830,075
Other comprehensive income for the period	-	-	-	-	(10,776,167)	-	(10,776,167)
Total comprehensive income for the period	-	-	-	-	(10,776,167)	6,830,075	(3,946,092)
Balance as at 30 September 2012 (unaudited)	75,000,000	(611,443)	4,275,667	2,164,821	50,228,636	8,148,377	139,206,058

The notes set out on pages 7 to 17 form an integral part of this interim condensed financial information.

Interim condensed statement of cash flows

	Note	Nine months ended 30 Sept. 2013 (Unaudited) KD	Nine months ended 30 Sept. 2012 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before provision for KFAS, Zakat and NLST		10,546,344	7,131,903
Adjustments:			
Realised gain on sale of available for sale investments		(3,923,874)	(1,335,076)
Dividend income from available for sale investments		(8,632,973)	(7,679,649)
Dividends income from investments at fair value through profit or loss		(152,200)	-
Net gain on interest rate swap		-	(14,315)
Interest income		(131,926)	(188,539)
Finance costs		1,093,871	1,061,495
Foreign exchange loss on non-operating liabilities		333,986	294,975
		(866,772)	(729,206)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		1,140,568	306,736
Accounts receivable and other assets		8,921	15,450
Due to/from parent company		2,000,220	(5,005,999)
Other liabilities		(123,953)	(219,578)
Net cash from/(used in) operations		2,158,984	(5,632,597)
KFAS paid		(79,773)	(109,081)
Zakat paid		(89,850)	(84,981)
NLST paid		(226,815)	(214,865)
Net cash from/(used in) operating activities		1,762,546	(6,041,524)
INVESTING ACTIVITIES			
Dividend income received		8,785,173	7,679,649
Proceeds on sale of available for sale investments		7,548,064	2,332,792
Purchase of available for sale investments		(4,043,675)	(985,743)
Interest income received		131	1,553
Net cash from investing activities		12,289,693	9,028,251
FINANCING ACTIVITIES			
Dividends paid		(8,953,440)	(5,892,153)
Purchase of treasury shares		(182,244)	-
Finance costs paid		(1,093,871)	(992,351)
Net borrowings (repaid)/obtained		(4,450,676)	5,000,000
Net payments made in relation to interest rate swap		-	(108,427)
Net cash used in financing activities		(14,680,231)	(1,992,931)
Net (decrease)/increase in cash and cash equivalents		(627,992)	993,796
Cash and cash equivalents at beginning of the period	6	1,990,595	794,075
Cash and cash equivalents at end of the period	6	1,362,603	1,787,871

The notes set out on pages 7 to 17 form an integral part of this interim condensed financial information.

Notes to the interim condensed financial information

1 Incorporation and activities

Ikarus Petroleum Industries Company – SAK (Closed), “the company” was incorporated on 1 February 1997 and listed on the Kuwait stock exchange on 14 April 2008. The company is a subsidiary of National Industries Group Holding – SAK “parent company”. Its principal objective is to engage in chemical and petrochemical related activities and utilise excess funds in investing in securities portfolios managed by other specialised companies.

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 and within the time line requirements of the said 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 company is Al-Qiblah Area – Part 6, Building 3 – Sheikh Salem Al-Ali Al-Subah Complex – Second Floor, Office No. 18.

The Board of Directors of the company approved this interim condensed financial information for issue on

The annual financial statements for the year ended 31 December 2012 were approved by the shareholders at the Annual General Meeting which was held on 11 April 2013.

2 Basis of presentation and changes to accounting policies

Basis of presentation

The interim condensed financial information of the company has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The interim condensed financial information has been presented in Kuwaiti Dinars which is the functional currency of the Company.

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

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

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

Notes to the interim condensed financial information (continued)

2 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 financial statements are consistent with those followed in the preparation of the Company's annual 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 Company applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include 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.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual financial statements nor the interim financial statements of the Company.

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 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 statement of comprehensive income based on those:

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

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

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 Company.

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 financial statements period. The Company provides these disclosures in Note 10. The transition 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 company does not provide the comparative information.

Notes to the interim condensed financial information (continued)

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

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 Company 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 Company.

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 Company 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.

The Company provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Company now also includes disclosure of total segment liabilities as these are reported to the CODM. See Note 9.

Notes to the interim condensed financial information (continued)

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

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 Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company'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 Company'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 Company'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 Company. 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 Company's financial statements from these Amendments.

Notes to the interim condensed financial information (continued)

3 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of 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)
Profit for the period (KD)	1,056,203	888,657	10,093,168	6,830,075
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	744,845,617	746,120,000	745,554,167	746,120,000
Basic and diluted earnings per share	1.4 Fils	1.2 Fils	13.5 Fils	9.2 Fils

4 Available for sale investments

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Non-current			
Quoted shares			
- foreign	129,572,757	118,887,544	127,469,300
	129,572,757	118,887,544	127,469,300
Unquoted shares			
- local	3,066,031	3,066,032	3,066,032
- foreign	27,624,181	27,624,180	27,624,185
	30,690,212	30,690,212	30,690,217
	160,262,969	149,577,756	158,159,517
Current			
Quoted shares – local	7,034,609	8,063,821	7,407,502
Total	167,297,578	157,641,577	165,567,019

- The local quoted shares represent investments in various sectors. Local quoted shares with a carrying value of KD5,987,155 (31 December 2012: KD6,943,495 and 30 September 2012: KD6,345,497) are pledged against a short term loan (refer note 8).
- Foreign quoted shares represent investment in quoted Saudi companies operating in the fields of chemicals and petrochemicals. Majority of these shares, with a carrying value of KD128,507,473 as at 30 September 2013 (31 December 2012: KD115,947,212 and 30 September 2012: KD127,427,460) are held through two 100% owned special purpose vehicles incorporated in the Kingdom of Bahrain solely to own these shares. Foreign quoted shares with a carrying value of KD42,191,740 are pledged against long term loans (refer note 7).
- Investments in unquoted shares are stated at cost due to the non availability of quoted market prices or other reliable measures of its fair value. Management is not aware of any circumstances that would indicate impairment in the value of these investments. The local and foreign unquoted shares represent investments in a local unlisted company operating in the field of oil and gas and in Saudi unlisted companies operating in the field of petrochemical and related products respectively.

Notes to the interim condensed financial information (continued)

5 Investments at fair value through profit or loss

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Designated on initial recognition :			
Quoted shares – local	2,269,711	3,409,283	2,709,162
Local money market funds	1,940,358	1,941,354	1,997,229
	4,210,069	5,350,637	4,706,391

- a) During October 2008, a local money market fund, in which the company has investments totaling to KD1,752,242 as at 30 September 2013 (31 December 2012: KD1,753,237 and 30 September 2012: KD1,809,112), suspended redemption requests. Management has been informed by the manager of the fund that redemptions will be made depending on availability of liquid funds. The company's management considers this to be a situation arising from the current crisis in the global financial market and its impact on the local market. The investment has been fair valued based on the unaudited net asset value reported by the fund manager as of 30 September 2013. Therefore the company's management expects to realise these investments at not less than its carrying value.
- b) Local quoted shares with a carrying value of KD2,269,711 (31 December 2012: KD3,409,283 and 30 September 2012: KD2,709,162) are pledged against a short term loan facility from a local bank (refer note 8).

6 Cash and cash equivalents

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Cash and bank balances	722,136	898,228	976,444
Cash balances held with portfolio managers	640,467	1,092,367	811,427
Cash and cash equivalents	1,362,603	1,990,595	1,787,871

7 Long term borrowings

	Effective interest rate %	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Local bank – US Dollar	3.216%	18,412,550	-	-
Local bank – Kuwaiti Dinar	4.5%	14,000,000	-	-
		32,412,550	-	-

During the current quarter, the Company has completed the restructuring of the short term US Dollar loan (equivalent to KD32,880,800 at 30 June 2013 and KD32,392,425 at 31 December 2012) which was obtained from a local bank (see note 8), by way of entering into a new agreement with the same bank. As per the new agreement the Company received two secured long term loans aggregating to KD32,412,550 (a US Dollar loan of 65,000,000 equivalent to KD18,412,550 at 30 September 2013 and a KD loan of 14,000,000) which was utilised to repay the old US Dollar loan in full. As per the new agreement the loans are to be repaid in instalments commencing from July 2015 and ending in January 2018, and the loan facilities are secured against quoted investments (refer note 4b).

Notes to the interim condensed financial information (continued)

8 Short-term borrowings

	Effective interest rate %	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Local bank – US Dollar (a)	-	-	32,392,425	32,375,375
Local bank – Kuwaiti Dinar (b)	4.5%	863,185	5,000,000	5,000,000
		863,185	37,392,425	37,375,375

a) During the current quarter the Company settled its US Dollar loan mainly from the proceeds of the new loan referred to in note 7.

b) During the previous year, the company utilised KD5,000,000 from the KD8,000,000 loan facility from a local bank, which is secured against local investments with a fair value of KD8,256,866 (refer note 4a and 5b). During the period, the company repaid an amount of KD4,136,815 of the loan.

9 Segmental analysis

The segments' results are based on internal management reporting information that is reported to the higher management of the company.

The company activities are concentrated in two main segments: Domestic (Kuwait) and International (Kingdom of Saudi Arabia). The following is the segments information, which conforms with the internal reporting presented to management:

	Domestic KD	International KD	Total KD
Three months ended 30 September 2013 (Unaudited)			
Segment income	33,717	1,556,177	1,589,894
Segment profit	(155,134)	1,556,177	1,401,043
Finance costs net of foreign exchange gain			(296,014)
Profit before provision for KFAS, Zakat and NLST			1,105,029
Three months ended 30 September 2012 (Unaudited)			
Segment income	429,784	1,141,666	1,571,450
Segment (loss)/profit	250,664	1,141,666	1,392,330
Foreign exchange loss and finance costs			(462,659)
Profit before provision for KFAS, Zakat and NLST			929,671

Notes to the interim condensed financial information (continued)

8 Segmental analysis (continued)

	Domestic KD	International KD	Total KD
Nine months ended 30 September 2013 (Unaudited)			
Segment income	715,598	11,774,599	12,490,197
Segment profit	149,553	11,774,599	11,924,152
Foreign exchange loss and finance costs			(1,377,808)
Profit before provision for KFAS, Zakat and NLST			10,546,344
Segment assets	18,357,076	157,854,877	176,211,953
Segment liabilities	(34,104,297)	-	(34,104,297)
Segment net assets	(15,747,221)	157,854,877	142,107,656
Nine months ended 30 September 2012 (Unaudited)			
Segment income	332,912	8,729,205	9,062,117
Segment (loss)/profit	(255,386)	8,729,205	8,473,819
Foreign exchange loss and finance costs			(1,341,916)
Profit before provision for KFAS, Zakat and NLST			7,131,903
Segment assets	21,211,508	156,008,506	177,220,014
Segment liabilities	(38,013,956)	-	(38,013,956)
Segment net assets	16,802,448	156,008,506	139,206,058

10 Related party transactions

Related parties represent, the parent company, the company's directors and key management personnel of the company, and other related parties such as subsidiaries of the parent company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the company are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the company's management.

Details of significant related party transactions and balances are as follows:

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Interim condensed statement of financial position			
Due from parent company (*)	3,285,326	5,153,751	5,093,540
Cash balance held with portfolio manager (related party)	102,420	13,632	-

Notes to the interim condensed financial information (continued)

10 Related party transactions (continued)

	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 under the interim condensed statement of income				
Interest income – from the parent company (*)	34,028	63,013	131,795	186,986
Management fees (included in other operating expenses)	763	5	4,165	314
Compensation and key management personal of the company				
Short term employee benefits	-----	24,750	-----	74,250

* Due from parent company at 30 September 2013 includes a short term advance of KD3,000,000 at an interest rate of 4.5% per annum.

11 Financial instruments

11.1 Categories of financial assets and liabilities

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

	30 Sept. 2013 (Unaudited)	
	Carrying value KD	Fair * value KD
Financial assets:		
Loans and receivables (at amortised cost):		
• Cash and cash equivalents	1,362,603	1,362,603
• Accounts receivable and other assets	56,377	56,377
• Due from parent company	3,285,326	3,285,326
Investments at fair value through profit or loss (refer Note 5) (at fair value)	4,210,069	4,210,069
Available for sale investments (refer Note 4)		
• Unquoted shares at cost	30,690,212	-
• Quoted shares at fair value	136,607,366	136,607,366
	176,211,953	145,521,741
Financial liabilities:		
At amortised cost:		
• Long term borrowings	32,412,550	32,412,550
• Short term borrowings	863,185	863,185
• Other liabilities	828,562	828,562
	34,104,297	34,104,297

* 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 company's management, except for certain available for sale investments which are carried at cost for reasons specified in Note 4 to the financial statements, the carrying amounts of financial assets and liabilities as at 30 September 2013 approximate their fair values.

Notes to the interim condensed financial information (continued)

11 Financial instruments (continued)

11.2 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 company's financial assets and liabilities into three 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
	Note	KD	KD	KD	KD
Assets at fair value					
Available for sale investments					
- Local quoted shares	a	7,034,609	-	-	7,034,609
- Foreign quoted shares	a	129,572,757	-	-	129,572,757
Investments at fair value through profit or loss					
- Local quoted shares	a	2,269,711	-	-	2,269,711
- Local money market funds	b	-	1,940,358	-	1,940,358
Total assets		138,877,077	1,940,358	-	140,817,435

There have been no significant transfers between level 1, level 2 and level 3 during the reporting period.

Measurement at fair value

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

a) Local and foreign quoted securities

All quoted equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Local money market funds

The underlying investments of these funds mainly comprise of local and foreign variable and fixed income monetary instruments including treasury bills, bonds and sukuk. The fair values of these funds have been determined based on latest net asset values reported by the investment managers.

Notes to the interim condensed financial information (continued)

12 Dividend distribution

At the annual general meeting held on 11 April 2013, the shareholders approved a cash dividend of 12% equivalent to 12 fils per share amounting to KD8,953,440 for the year ended 31 December 2012.

At the annual general meeting held on 23 April 2012, the shareholders approved a cash dividend of 8% equivalent to 8 fils per share amounting to KD5,968,962 for the year ended 31 December 2011.