

**International Finance Company K.S.C. (Closed)  
and its subsidiaries  
State of Kuwait**

**Interim condensed consolidated financial information and  
independent auditors' review report for the nine months  
ended 30 September 2012 (Unaudited)**

**International Finance Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait**

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**Independent auditors' report on review of interim condensed consolidated financial information to the Board of Directors of International Finance Company K.S.C.**

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of International Finance Company K.S.C. (Closed) ("the Parent Company") and its subsidiaries (together referred to as "the Group") as of 30 September 2012 and the related interim condensed consolidated statements of income and comprehensive income for the three and nine months period then ended and the related interim condensed consolidated statement of changes in equity and cash flows for the nine months period then ended and other explanatory notes. The Parent Company's 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 the 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).

*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 account of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960 or of the Articles of Association of the Parent Company, as amended, have occurred during the nine-months period ended 30 September 2012 that might have had a material effect on the business or on the consolidated financial position of the Group.

We further report that, during the course of our review, we have not become aware of any 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, during the nine-month period ended 30 September 2012.

**Qais M. Al Nisf**  
**Licence No. 38 "A"**  
**BDO Al Nisf & Partners**

**Kuwait: 4 November 2012**


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

**International Finance Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait**

**Interim condensed consolidated statement of financial position (Unaudited)  
As at 30 September 2012**

		30 September 2012	(Audited) 31 December 2011	30 September 2011
	Note	KD	KD	KD
<b>Assets</b>				
Cash and cash equivalents	4	8,549,507	5,809,017	6,782,795
Instalment credit debtors	5	28,073,899	37,768,137	45,481,419
Investments carried at fair value through profit and loss	6	7,946,135	7,369,584	8,871,203
Held to maturity investment		283,050	-	-
Accounts receivable and other assets		3,956,641	5,423,582	6,271,875
Due from related parties	18	955,159	79,736	124,964
Properties held for trading		1,973,541	3,251,332	6,372,999
Available for sale investments	7	43,748,087	49,644,719	42,591,051
Investment in associates	8	28,233,172	28,265,624	25,684,913
Property and equipment		4,829,415	4,925,659	4,966,104
<b>Total assets</b>		<u>128,548,606</u>	<u>142,537,390</u>	<u>147,147,323</u>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks	9	2,334,187	4,610,311	4,574,249
Accounts payable and other liabilities		5,904,400	7,544,902	13,383,384
Due to related parties	18	1,456,772	1,478,866	2,595,136
Term loans	10	2,698,504	4,251,882	4,114,626
Murabaha payable	11	8,400,000	10,000,000	10,000,000
Employees' end of service benefits		534,540	1,270,230	1,011,260
<b>Total liabilities</b>		<u>21,328,403</u>	<u>29,156,191</u>	<u>35,678,655</u>
<b>Equity</b>				
Share capital	12	80,288,257	80,288,257	80,288,257
Share premium	12	32,950,027	32,950,027	32,950,027
Treasury shares	14	(931,783)	(1,432,303)	(1,558,879)
Treasury shares reserve		-	157,713	157,713
Statutory reserve		7,087,901	7,087,901	7,087,901
Voluntary reserve		151,824	501,900	501,900
Foreign currencies translation reserve		(170,071)	(240,008)	(296,657)
Cumulative changes in fair value reserve		1,969,864	7,978,617	588,824
Accumulated losses		(14,828,635)	(15,003,587)	(9,320,561)
Equity attributable to equity holders of the parent company		106,517,384	112,288,517	110,398,525
Non-controlling interests		702,819	1,092,682	1,070,143
<b>Total equity</b>		<u>107,220,203</u>	<u>113,381,199</u>	<u>111,468,668</u>
<b>Total liabilities and equity</b>		<u>128,548,606</u>	<u>142,537,390</u>	<u>147,147,323</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information



**Jassim Hassan Zainal**  
*Chairman and Managing Director*

**International Finance Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait**

**Interim condensed consolidated statement of income (Unaudited)  
For the nine months period ended 30 September 2012**

	Note	Three months ended 30 September		Nine months ended 30 September	
		2012 KD	2011 KD	2012 KD	2011 KD
<b>Revenue</b>					
Net profit from instalment credit		599,345	951,838	1,988,016	1,652,699
Interest income		59,379	47,651	158,171	97,475
Gain/(loss) on sale of investments carried at fair value through profit and loss		-	-	8,380	(1,597)
Unrealised (loss)/gain on investments carried at fair value through profit and loss		(335,919)	(768,898)	532,515	(5,831,760)
(Loss)/gain on sale of available for sale investments		(14,671)	24,079	(72,749)	560,983
Loss on sale of property held for trading		(65,497)	-	(9,586)	(27,768)
Share of results in associates		(107,268)	(124,129)	(107,452)	(124,129)
Foreign currency exchange (loss)/gain		(2,675)	21,629	(550)	129,810
Dividend income		84,094	657	816,865	621,410
Reversal of provision no longer required		307,112	-	307,112	-
Other income		109,994	180,488	462,358	428,627
		<u>633,894</u>	<u>333,315</u>	<u>4,083,080</u>	<u>(2,494,250)</u>
<b>Expenses and charges</b>					
Provision for doubtful debts		105,526	1,979,627	1,189,529	2,269,084
Provision for instalment credit debtors		50,243	-	64,015	-
Impairment of available for sale investments		53,910	1,906,929	153,819	1,906,929
General and administrative expenses		216,954	431,395	871,613	869,103
Staff costs		293,579	271,209	1,030,437	994,045
Depreciation		47,337	48,151	144,367	143,769
Finance costs		178,124	426,946	850,263	627,519
		<u>945,673</u>	<u>5,064,257</u>	<u>4,304,043</u>	<u>6,810,449</u>
<b>Loss for the period before contribution to Kuwait Foundation for the Advancement of Sciences "KFAS", National Labour Support Tax "NLST" and Zakat</b>					
		(311,779)	(4,730,942)	(220,963)	(9,304,699)
KFAS		-	-	-	-
NLST		-	-	-	-
Zakat		-	-	-	-
<b>Loss for the period</b>		<u>(311,779)</u>	<u>(4,730,942)</u>	<u>(220,963)</u>	<u>(9,304,699)</u>
<b>(Loss)/profit attributable to:</b>					
Equity holders of the parent company		(257,704)	(4,710,730)	174,952	(9,320,561)
Non-controlling interests		(54,075)	(20,212)	(395,915)	15,862
		<u>(311,779)</u>	<u>(4,730,942)</u>	<u>(220,963)</u>	<u>(9,304,699)</u>
<b>(Loss)/earnings per share (basic and diluted) (Fils)</b>	15	<u>(0.32)</u>	<u>(5.91)</u>	<u>0.22</u>	<u>(13.71)</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information

**International Finance Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait**

**Interim condensed consolidated statement of comprehensive income (Unaudited)  
For the nine months period ended 30 September 2012**

	Three months ended 30 September		Nine months ended 30 September	
	2012 KD	2011 KD	2012 KD	2011 KD
Loss for the period	(311,779)	(4,730,942)	(220,963)	(9,304,699)
<b>Other comprehensive income:</b>				
Exchange differences arising on translation of foreign operations	1,867	43,402	75,989	(159,366)
<i>Available for sale investments:</i>				
Transferred to interim condensed consolidated statement of income on impairment of available for sale investments	53,910	1,906,929	153,819	1,906,929
Change in fair value of available for sale investments	428,963	472,164	(6,227,245)	(2,045,217)
Transferred to interim condensed consolidated statement of income on sale of available for sale investments	50,139	-	64,673	(565,192)
<b>Total other comprehensive income/(losses)</b>	<b>534,879</b>	<b>2,422,495</b>	<b>(5,932,764)</b>	<b>(862,846)</b>
<b>Total comprehensive income/(losses) for the period</b>	<b>223,100</b>	<b>(2,308,447)</b>	<b>(6,153,727)</b>	<b>(10,167,545)</b>
<b>Income/(loss) attributable to:</b>				
Equity holders of the parent company	275,541	(2,303,090)	(5,763,864)	(10,175,113)
Non-controlling interests	(52,441)	(5,357)	(389,863)	7,568
	<b>223,100</b>	<b>(2,308,447)</b>	<b>(6,153,727)</b>	<b>(10,167,545)</b>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information

**International Finance Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait**

**Interim condensed consolidated statement of changes in equity (Unaudited)  
For the nine months period ended 30 September 2012**

	Equity attributable to the equity holders of the parent											
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Foreign currencies translation reserve KD	Cumulative changes in fair value reserve KD	Accumulated losses KD	Sub-Total KD	Non-controlling interests KD	Total KD
<b>Balance at 1 January 2012</b>	80,288,257	32,950,027	(1,432,303)	157,713	7,087,901	501,900	(240,008)	7,978,617	(15,003,587)	112,288,517	1,092,682	113,381,199
Purchase of treasury shares	-	-	(538,714)	-	-	-	-	-	-	(538,714)	-	(538,714)
Sale of treasury shares	-	-	1,039,234	(157,713)	-	(350,076)	-	-	-	531,445	-	531,445
Transaction with owners	-	-	500,520	(157,713)	-	(350,076)	-	-	-	(7,269)	-	(7,269)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	174,952	174,952	(395,915)	(220,963)
<b>Other comprehensive income</b>												
Net change in fair value	-	-	-	-	-	-	-	(6,008,753)	-	(6,008,753)	-	(6,008,753)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	69,937	-	-	69,937	6,052	75,989
Total other comprehensive income/(losses)	-	-	-	-	-	-	69,937	(6,008,753)	-	(5,938,816)	6,052	(5,932,764)
Total comprehensive income/(losses) for the period	-	-	-	-	-	-	69,937	(6,008,753)	174,952	(5,763,864)	(389,863)	(6,153,727)
<b>Balance at 30 September 2012</b>	80,288,257	32,950,027	(931,783)	-	7,087,901	151,824	(170,071)	1,969,864	(14,828,635)	106,517,384	702,819	107,220,203
<b>Balance at 1 January 2011</b>	46,571,564	22,661,854	(246,770)	157,713	7,087,901	6,755,063	(145,585)	1,292,304	(6,253,163)	77,880,881	-	77,880,881
Purchase of treasury shares	-	-	(1,312,109)	-	-	-	-	-	-	(1,312,109)	-	(1,312,109)
Increase in share capital	33,716,693	10,288,173	-	-	-	-	-	-	-	44,004,866	-	44,004,866
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,062,575	1,062,575
Extinguishment of accumulated losses	-	-	-	-	-	-	-	-	6,253,163	-	-	-
Transactions with owners	-	-	(1,312,109)	-	-	(6,253,163)	-	-	-	-	-	-
(Loss)/profit for the period	-	-	-	-	-	(6,253,163)	-	-	6,253,163	42,692,757	1,062,575	43,755,332
<b>Other comprehensive income</b>												
Net change in fair value	-	-	-	-	-	-	-	-	(9,320,561)	(9,320,561)	15,862	(9,304,699)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(703,480)	-	(703,480)	-	(703,480)
Total other comprehensive losses	-	-	-	-	-	-	(151,072)	-	-	(151,072)	(8,294)	(159,366)
Total comprehensive (losses)/ income for the period	-	-	-	-	-	-	(151,072)	(703,480)	-	(854,552)	(8,294)	(862,846)
<b>Balance at 30 September 2011</b>	80,288,257	32,950,027	(1,538,879)	157,713	7,087,901	501,900	(151,072)	(703,480)	(9,320,561)	(10,175,113)	7,568	(10,167,545)
								588,824	(9,320,561)	110,398,525	1,070,143	111,468,668

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information

**International Finance Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait**

**Interim condensed consolidated statement of cash flows (Unaudited)  
For the nine months period ended 30 September 2012**

	Note	Nine months ended 30 September	
		2012	2011
		KD	KD
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(220,963)	(9,304,699)
<b>Adjustments:</b>			
Interest income		(158,171)	(97,475)
(Gain)/ loss on sale of investments carried at fair value through profit and loss		(8,380)	1,597
Dividend income		(816,865)	(621,410)
Unrealised (gain)/loss on investments carried at fair value through profit and loss		(532,515)	5,831,760
Loss/(gain) on sale of available for sale investments		72,749	(560,983)
Impairment of available for sale investments		153,819	1,906,929
Loss on sale of properties held for trading		9,586	27,768
Share of results in associates		107,452	124,129
Provision for instalment credit debtors		64,015	-
Provision for doubtful debts		1,189,529	2,269,084
Reversal of provision no longer required		(307,112)	-
Depreciation		144,367	143,769
Finance costs		850,263	627,519
Foreign currency exchange loss/(gain)		550	(129,810)
Provision for employees' end of service benefits		127,493	145,827
		<u>675,817</u>	<u>364,005</u>
<b>Changes in operating assets and liabilities:</b>			
Instalment credit debtors		9,937,335	13,104,866
Accounts receivable and other assets		277,412	(2,020,563)
Due from related parties		(875,423)	(124,964)
Accounts payable and other liabilities		(1,639,952)	2,023,985
Due to related parties		(22,094)	2,114,524
<b>Cash generated from operating activities</b>		<u>8,353,095</u>	<u>15,461,853</u>
Employees' end of service benefits paid		(863,183)	-
<b>Net cash generated from operating activities</b>		<u>7,489,912</u>	<u>15,461,853</u>
<b>INVESTING ACTIVITIES</b>			
Net purchase of property and equipment		(48,123)	(26,036)
Cash outflow on merger transaction		-	(762,530)
Purchase of investments carried at fair value through profit or loss		-	(412,104)
Purchase of held to maturity investment		(283,050)	-
Proceeds from sale of investments carried at fair value through profit or loss		44,036	280,628
Proceeds from sale of properties held for trading		1,268,205	397,948
Purchase of available for sale investments		(765,658)	(174,844)
Proceeds from sale of available for sale investments		426,969	3,035,938
Additional purchase of investment in an associate	8	(75,000)	-
Dividend income received		816,865	621,410
Interest income received		158,171	97,475
<b>Net cash generated from investing activities</b>		<u>1,542,415</u>	<u>3,057,885</u>
<b>FINANCING ACTIVITIES</b>			
Cash paid to shareholders		-	(4,658,179)
Due to banks		(2,276,124)	2,565,846
Repayment of term loans		(1,553,378)	(8,931,444)
Repayment of murabaha payable		(1,600,000)	-
Repayment of bonds		-	(5,500,000)
Purchase of treasury shares		(538,714)	-
Sale of treasury shares		531,445	-
Finance costs paid		(855,069)	(621,410)
<b>Net cash used in financing activities</b>		<u>(6,291,840)</u>	<u>(17,145,187)</u>
Net increase in cash and cash equivalents		2,740,490	1,374,551
Cash and cash equivalents at beginning of the period	4	5,809,017	5,408,244
Cash and cash equivalents at end of the period	4	<u>8,549,507</u>	<u>6,782,795</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information



**International Finance Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait**

**Notes to the interim condensed consolidated financial information (Unaudited)**  
For the nine months period ended 30 September 2012

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**1. Incorporation and activities**

International Finance Company – K.S.C. (Closed) (the “Parent Company”) was incorporated in Kuwait on 15 April 1980 in accordance with the Commercial Companies Law of 1960 and amendments thereto, under the name of International Murabaha Company –K.S.C. (Closed). On 24 April 2002 an extraordinary general assembly resolved to change the name of the Parent Company to International Finance Company – K.S.C. (Closed) and to expand its permitted activities. The Parent Company is listed on the Kuwait Stock Exchange and is governed under the directives of Central Bank of Kuwait and Capital Market Authority.

The Group comprises of the Parent Company and its subsidiaries together “the Group”.

The principal activity of the Parent Company is the granting of consumer instalment credit facilities and investment. This interim condensed consolidated financial information for the period ended 30 September 2012 was approved for issuance by the board of directors of the Parent Company on 4 November 2012.

**2. Basis of presentation**

The interim condensed consolidated financial information of the Group for the nine months period ended 30 September 2012 has been prepared in accordance with IAS 34, “Interim Financial Reporting”, except for regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK) as noted below.

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, of 1% for cash facilities and 0.5% for non-cash facilities, net of certain restricted categories of collateral, that are not provided for specifically.

This interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. For further details, refer to the consolidated financial statements and its selected disclosures for the year ended 31 December 2011.

In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Results for the nine months ended 30 September 2012 are not indicative of the results that may be expected for the year ending 31 December 2012. This interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD) which is the functional currency of the Parent Company.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in preparation of the audited consolidated financial statements for the year ended 31 December 2011 except for the adoption of the below accounting policy:

**Held to maturity investment**

Financial assets held-to-maturity are those which carry fixed or determinable payments and have fixed maturities and which the Group has the positive intention and ability to hold to maturity. Financial assets held-to-maturity are recorded at cost (fair value) plus acquisition costs. Premiums and discounts are amortised in the interim condensed consolidated statement of income according to the effective interest rate method. Provisions associated with irrecoverable impairment in their value are deducted. Any impairment in assets is recorded in the interim condensed consolidated statement of income when incurred.

2. **Basis of presentation (Continued)**

**Adoption of new IASB Standards and amendments during the period**

The Group has adopted the following amended IFRS during the period:

*IFRS 7 Financial Instruments: Disclosures- amendment*

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments allows users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also required additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment did not have any significant impact on the consolidated financial position or performance of the Group.

**IASB Standards issued but not yet effective**

At the date of authorisation of this interim condensed consolidated financial information, 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. Management is yet to determine the impact of these pronouncements in the consolidated financial statements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

<i>Standard or interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements - Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates - Revised as IAS 28 Investments – Associates and Joint Venture	1 January 2013
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interest in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013

3. **Judgment and estimates**

The preparation of interim condensed consolidated financial information requires management to make judgments, 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 judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended 31 December 2011.

**International Finance Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait**

**Notes to the interim condensed consolidated financial information (Unaudited)  
For the nine months period ended 30 September 2012**

**4. Cash and cash equivalents**

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
Cash and bank balances	3,784,991	3,743,288	3,270,504
Term deposits – one to three months	4,764,516	2,065,729	3,512,291
	<u>8,549,507</u>	<u>5,809,017</u>	<u>6,782,795</u>

The term deposits carry an effective interest of 6.25% per annum (31 December 2011: 6.25% per annum and 30 September 2011: 6.25% per annum)

**5. Instalment credit debtors**

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
Gross instalment credit debtors	47,058,593	57,346,755	60,992,572
Deferred income	(1,203,906)	(1,557,422)	(1,623,303)
	45,854,687	55,789,333	59,369,269
Specific provision	(16,891,932)	(17,063,718)	(12,855,356)
General provision	(888,856)	(957,478)	(1,032,494)
	<u>28,073,899</u>	<u>37,768,137</u>	<u>45,481,419</u>

Gross instalment credit debtors are repayable as follows:

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
Within one year	37,802,685	43,146,038	32,151,574
More than a year	9,255,908	14,200,717	28,840,998
	<u>47,058,593</u>	<u>57,346,755</u>	<u>60,992,572</u>

The effective annual interest rate earned on income from instalment credit ranged from 5.5% to 9.25% per annum (31 December 2011: 5.5% to 9.25% per annum and 30 September 2011: 5.5% to 9.25% per annum).

The provision for doubtful debts is in agreement, in all material respect, with the specific provision requirements of the Central Bank of Kuwait and IFRS. Furthermore, a general provision of 1% on instalment credit balances, where no specific provision is made, is taken in accordance with the instructions of the Central Bank of Kuwait.

Included in the gross instalment credit debtor is an amount of KD 15,063,668 (31 December 2011: KD 15,224,786 and 30 September 2011: KD 13,970,257) from related parties (Note 18).

The gross instalment credit debtors include an amount of KD 934,929 (KD 1,560,535 as of 31 December 2011, 30 September 2011: KD 1,571,243) representing a portfolio of customer loans which have been discounted to a bank according to a debt factoring agreement (Note 9).

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**6. Investments carried at fair value through profit and loss**

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Local quoted shares	1,373,547	804,382	2,225,347
Foreign quoted shares	311,163	240,530	551,172
Investment in managed portfolio	6,261,425	6,324,672	6,094,684
	<u>7,946,135</u>	<u>7,369,584</u>	<u>8,871,203</u>

An investment portfolio with a carrying amount of KD 6,261,425 (31 December 2011: KD 6,324,672 and 30 September 2011: KD 6,094,684) is pledged against term loans and murabaha payable (Notes 10 and 11).

**7. Available for sale investments**

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Local quoted shares	18,581,200	22,788,046	19,420,151
Unquoted local shares	11,353,643	11,275,769	10,857,780
Foreign quoted shares	-	140,786	1,136,535
Investment in foreign unquoted shares	10,014,652	9,525,026	6,483,294
Investment funds	1,108,603	1,024,649	381,600
Investment in managed portfolios	2,689,989	4,890,443	4,311,691
	<u>43,748,087</u>	<u>49,644,719</u>	<u>42,591,051</u>

Available for sale investments include unquoted shares of KD 21,368,295 (31 December 2011: KD 20,800,795 and 30 September 2011: KD 17,341,074) carried at cost as there is no reliable estimate for their fair value. However, management believes that there is no impairment on these investments.

Quoted and unquoted local shares and investments in managed portfolios with an aggregate carrying amount of KD 17,149,160 (31 December 2011: KD 18,861,050 and 30 September 2011: KD 17,536,298) are pledged against due to banks, term loans and murabaha payable (Notes 9, 10 and 11).

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**8. Investment in associates**

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
Opening balance	28,265,624	-	-
Arising from business combination	-	26,557,100	25,809,042
Purchase	75,000	-	-
Reclassification from available for sale investments	-	1,918,233	-
Impairment of associate	-	(76,367)	-
Share of results	(107,452)	(130,184)	(124,129)
Share of other comprehensive income of associates	-	(3,158)	-
	<u>28,233,172</u>	<u>28,265,624</u>	<u>25,684,913</u>

**9. Due to banks**

Due to banks represents credit facilities granted to the Group from a local bank in the form of overdraft facilities. These credit facilities carry interest rate of 5.5% per annum (31 December 2011: 5% per annum and 30 September 2011: 5.5% per annum) and payable on demand. Credit facilities are granted against pledging available for sale investments (note 7).

This balance includes an amount of KD 702,856 due to a bank against the factoring of certain instalment credit debtors (Note 5).

**10. Term loans**

Term loans are repayable to local and foreign banks in different periods and bear interest at annual rates ranging from 4.16% per annum to 8.50% per annum (31 December 2011: 4.16% per annum to 8.5% per annum and 30 September 2011: 4.16% per annum to 6% per annum).

Loans are repayable as follows:

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
Kuwait Dinar Loans	2,133,500	3,413,600	3,276,344
US\$ Loans	565,004	838,282	838,282
	<u>2,698,504</u>	<u>4,251,882</u>	<u>4,114,626</u>

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
Within one year	2,271,804	2,118,382	3,581,126
After one year	426,700	2,133,500	533,500
	<u>2,698,504</u>	<u>4,251,882</u>	<u>4,114,626</u>

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**10. Term loans (Continued)**

Loans are denominated in Kuwaiti Dinars and US Dollars and are secured by the assignment of instalment credit contracts and the pledge of investments carried at fair value through profit and loss, available for sale investments and property and equipment (Notes 6 and 7).

**11. Murabaha payable**

Islamic financing obtained from a local financial institution, carrying an effective profit rate of 6.5% per annum (31 December 2011: 6.5% per annum and 30 September 2011: 6.5% per annum). This financing is secured by way of mortgage of certain investments at fair value through profit and loss and available for sale investments (Notes 6 and 7).

Murabaha payable are due as follows:

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
Within one year	2,400,000	1,600,000	1,600,000
After one year	6,000,000	8,400,000	8,400,000
	<u>8,400,000</u>	<u>10,000,000</u>	<u>10,000,000</u>

**12. Share capital and share premium**

The authorised, issued and paid up share capital of the Parent Company consists of 802,882,556 shares (31 December 2011: 802,882,556 shares and 30 September 2011: 802,882,556 shares) of 100 fils each. The share premium is non distributable.

**13. Annual general assembly**

The annual general assembly of the shareholders held on 8 July 2012 approved the consolidated financial statements of the Group for the year ended 31 December 2011 without dividend.

**14. Treasury shares**

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
Number of treasury shares	6,393,449	6,394,305	6,394,305
Percentage of share capital	0.796%	0.796%	0.796%
Market value (KD)	421,968	652,219	652,240
Cost (KD)	<u>931,783</u>	<u>1,432,303</u>	<u>1,558,879</u>

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**15. (Loss)/earnings per share (basic and diluted)**

Basic and diluted (loss)/earnings per share is computed by dividing the profit/(loss) for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the period less treasury shares.

The Parent Company had no outstanding dilutive potential shares.

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
(Loss)/profit for the period attributable to the equity holders of the Parent Company– (KD)	(257,704)	(4,710,730)	174,952	(9,320,561)
Weighted average number of shares issued (excluding treasury shares)	796,545,035	796,488,042	796,507,110	679,867,116
<b>(Loss)/earnings per share (basic and diluted) (Fils)</b>	<b>(0.32)</b>	<b>(5.91)</b>	<b>0.22</b>	<b>(13.71)</b>

**16. Fiduciary accounts**

Investment portfolios managed by the Group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the Group's assets or liabilities and accordingly are not included in the interim condensed consolidated financial position. Total fiduciary assets as at the financial position date were KD 2,158,340 (31 December 2011: KD 2,242,079 and 30 September 2011: KD 2,209,148).

**17. Segmental information**

The Group's principal trading activities are carried out within Kuwait and the Group's assets and liabilities are located in Kuwait in addition to the GCC, Middle East and other countries. The Group operates in four business segments; instalment credit, investments, real estate investments and brokerage. The segmental analysis of total income and profit for the business segments are as follows:

	<b>Instalment credit</b>	<b>Investments</b>	<b>Real estate investments</b>	<b>Brokerage</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Nine months period ended 30 September 2012</b>					
Segment income	2,295,128	1,438,018	73,038	123,077	3,929,261
Profit/(loss) for the period	471,390	675,742	72,792	(1,440,887)	(220,963)
Segment assets	41,770,898	62,759,509	4,573,540	19,444,659	128,548,606
Segment liabilities	5,326,332	13,361,870	-	2,640,201	21,328,403
Segments net assets	36,444,566	49,397,639	4,573,540	16,804,455	107,220,200

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**17. Segmental information (Continued)**

	<u>Instalment credit</u>	<u>Investments</u>	<u>Real estate investments</u>	<u>Brokerage</u>	<u>Total</u>
	KD	KD	KD	KD	KD
<b>Nine months period ended 30 September 2011</b>					
Segment income/ (loss)	2,276,538	(7,112,487)	12,848	421,922	(4,401,179)
(Loss)/profit for the period	<u>(2,331,995)</u>	<u>(7,129,031)</u>	<u>12,848</u>	<u>143,479</u>	<u>(9,304,699)</u>
Segment assets	58,209,786	77,147,166	6,372,999	5,417,372	147,147,323
Segment liabilities	11,991,358	21,424,632	-	2,262,665	35,678,655
Segment net assets	<u>46,218,428</u>	<u>55,722,534</u>	<u>6,372,999</u>	<u>3,154,707</u>	<u>111,468,668</u>

**18. Related party transactions**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

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

	<b>30 September 2012</b>	<b>(Audited) 31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
<b>Interim condensed consolidated statement of financial position</b>			
Instalment credit debtors (Note 5)	15,063,668	15,224,786	13,970,257
Due from related parties	955,159	79,736	124,964
Due to shareholders	627,861	2,356,669	6,242,936
Due to related parties	1,456,772	1,478,866	2,595,136
		<b>(Audited)</b>	
	<b>30 September 2012</b>	<b>31 December 2011</b>	<b>30 September 2011</b>
	KD	KD	KD
<b>Interim condensed consolidated statement of income</b>			
Interest from instalment credit debtors	577,159	743,872	-
Salaries and other short term benefits	136,199	263,543	172,998
Employees' end of service benefits	12,537	270,824	57,456

**19. Financial risk management**

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2011.