Consolidated financial statements and independent auditors' report

International Finance Company – KSC (Closed) and its Subsidiaries

Kuwait

31 December 2012

Contents

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Independent auditors' report

To the shareholders of
International Finance Company – KSC (Closed)
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Finance Company – KSC (Closed) ("parent company") and its subsidiaries, (collectively "the group") which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the parent company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use in the State of Kuwait and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Grant Thornton
Al-Qatami, Al-Aiban & Partners

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards adopted for use in the State of Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012 and by the parent company's articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 nor of the parent company's articles of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the parent company.

We further report that, during the course of our audit, we have not become aware of any material violations, during the year, 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.

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of Grant Thornton – Al-Qatami, Al-Aiban & Partners

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of BDO Al Nisf & Partners

Kuwait
5 March 2013

Consolidated statement of income

	Notes	Year ended 31 Dec. 2012 KD	(Restated) Year ended 31Dec. 2011 KD
Revenue			
Income from instalment credit	6	2,598,190	3,098,652
Rental income		112,819	46,953
Interest income		249,070	137,293
Profit/(loss) on sale of investments at fair value through statement of income		8,396	(559,562)
Change in fair value of investments at fair value through statement of income		213,316	(4,962,053)
(Loss)/profit on sale of available for sale investments		(174,051)	667,753
Loss on sale of properties held for trading		(124,456)	(19,205)
Share of results of associates	17	(3,451)	(228,893)
(Loss)/gain on foreign currency exchange		(26,504)	163,455
Dividend income	7	744,695	622,385
Other income		666,684	490,239
		4,264,708	(542,983)
Expenses and other charges			
Staff costs		(1,537,886)	(1,735,218)
General and administrative expenses		(1,227,844)	(1,402,283)
Finance costs	8	(1,023,455)	(1,668,211)
Depreciation		(190,697)	(193,520)
Reversal/(charge) for provision for instalment credit debtors-net	12	1,667,297	(6,406,522)
Provision for doubtful debts	14	(1,491,723)	(39,032)
Provision for properties held for trading	15	-	(278,904)
Impairment of available for sale investments	16	(822,084)	(2,728,793)
Impairment of associate	17	-	(76,367)
		(4,626,392)	(14,528,850)
Loss for the year before contribution to KFAS, National Labour Support Tax and Zakat		(361,684)	(15,071,833)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	-
National Labour Support Tax (NLST)		-	-
Zakat		-	-
Loss for the year		(361,684)	(15,071,833)
Attributable to:			
Owners of the parent company		121,344	(15,102,296)
Non-controlling interests		(483,028)	30,463
		(361,684)	(15,071,833)
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	9	0.152 Fils	(21.292) Fils

The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2012 KD	(Restated) Year ended 31Dec. 2011 KD
Loss for the year	**(361,684)**	(15,071,833)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**53,562**	(94,780)
Share of other comprehensive loss of associates	**-**	(3,158)
Available for sale investments:		
- Change in fair value	**(461,419)**	4,509,325
- Transferred to consolidated statement of income on sale	**276,305**	(548,647)
- Transferred to consolidated statement of income on impairment	**822,084**	2,728,793
Total other comprehensive income for the year	**690,532**	6,591,533
Total comprehensive income/(loss) for the year	**328,848**	(8,480,300)
Attributable to:		
Owners of the parent company	**808,744**	(8,510,406)
Non-controlling interests	**(479,896)**	30,106
	328,848	(8,480,300)

The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2012	(Restated) 31Dec. 2011	(Restated) 1 Jan. 2011
		KD	KD	KD
Assets				
Cash and cash equivalents	11	**8,313,149**	5,809,017	5,408,244
Instalment credit debtors	12	**23,120,497**	37,768,137	49,860,290
Investments at fair value through statement of income	13	**7,626,053**	7,369,584	15,602,875
Held to maturity investment		**283,050**	-	-
Accounts receivable and other assets	14	**5,029,118**	5,423,582	1,230,942
Due from related parties		**802,053**	79,736	-
Properties held for trading	15	**3,236,722**	3,251,332	2,485,612
Available for sale investments	16	**51,795,829**	49,644,719	21,777,561
Investment in associates	17	**30,410,412**	28,166,915	-
Investment property	18	**2,009,247**	2,068,310	2,127,373
Property and equipment	19	**2,789,239**	2,857,349	2,829,820
Total assets		**135,415,369**	142,438,681	101,322,717
Liabilities and equity				
Liabilities				
Due to banks	20	**2,519,280**	4,610,311	2,008,403
Accounts payable and other liabilities	21	**6,567,527**	7,544,902	2,526,351
Due to related parties		**2,222,582**	1,478,866	-
Term loans	22	**1,706,800**	4,251,882	12,474,744
Murabaha payable	23	**8,400,000**	10,000,000	-
Bonds		**-**	-	5,500,000
Provision for end of service indemnity		**495,654**	1,270,230	932,338
Total liabilities		**21,911,843**	29,156,191	23,441,836
Equity				
Share capital	24	**80,288,257**	80,288,257	46,571,564
Share premium	24	**32,950,027**	32,950,027	22,661,854
Treasury shares	25	**(931,786)**	(1,432,303)	(246,770)
Treasury shares reserve		**-**	157,713	157,713
Legal reserve	26	**7,087,901**	7,087,901	7,087,901
Voluntary reserve	26	**151,824**	501,900	6,755,063
Foreign currency translation reserve		**(189,578)**	(240,008)	(145,585)
Fair value reserve		**8,615,587**	7,978,617	1,292,304
Accumulated losses		**(15,081,492)**	(15,102,296)	(6,253,163)
Total equity attributable to the owners of the parent company		**112,890,740**	112,189,808	77,880,881
Non-controlling interests		**612,786**	1,092,682	-
Total equity		**113,503,526**	113,282,490	77,880,881
Total liabilities and equity		**135,415,369**	142,438,681	101,322,717

Jassim Hassan Zainal
Chairman and Managing Director

The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company											
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2012 (as previously reported)	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
Prior year adjustment (note 17)	-	-	-	-	-	-	-	-	(98,709)	(98,709)	-	(98,709)
Balance at 1 January 2012 (as restated)	80,288,257	32,950,027	(1,432,303)	157,713	7,087,901	501,900	(240,008)	7,978,617	(15,102,296)	112,189,808	1,092,682	113,282,490
Profit/(loss) for the year	-	-	-	-	-	-	-	-	121,344	121,344	(483,028)	(361,684)
Other comprehensive income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	50,430	-	-	50,430	3,132	53,562
Available for sale investments:												
- Net change in fair value	-	-	-	-	-	-	-	(461,419)	-	(461,419)	-	(461,419)
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	-	276,305	-	276,305	-	276,305
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	-	822,084	-	822,084	-	822,084
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	50,430	636,970	121,344	808,744	(479,896)	328,848
Purchase of treasury shares	-	-	(538,714)	-	-	-	-	-	-	(538,714)	-	(538,714)
Sale of treasury shares	-	-	1,039,231	(157,713)	-	(350,076)	-	-	-	531,442	-	531,442
Transactions with owners	-	-	500,517	(157,713)	-	(350,076)	-	-	-	(7,272)	-	(7,272)
Restatement adjustment in an associate' s equity	-	-	-	-	-	-	-	-	(100,540)	(100,540)	-	(100,540)
Balance at 31 December 2012	**80,288,257**	**32,950,027**	**(931,786)**	**-**	**7,087,901**	**151,824**	**(189,578)**	**8,615,587**	**(15,081,492)**	**112,890,740**	**612,786**	**113,503,526**

The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company											
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2011	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
(Loss)/profit for the year (restated note 17)	-	-	-	-	-	-	-	-	(15,102,296)	(15,102,296)	30,463	(15,071,833)
Other comprehensive income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(94,423)	-	-	(94,423)	(357)	(94,780)
Available for sale investments:												
- Net change in fair value	-	-	-	-	-	-	-	4,506,167	-	4,506,167	-	4,506,167
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	-	(548,647)	-	(548,647)	-	(548,647)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	-	2,728,793	-	2,728,793	-	2,728,793
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	(94,423)	6,686,313	(15,102,296)	(8,510,406)	30,106	(8,480,300)
Purchase of treasury shares	-	-	(1,185,533)	-	-	-	-	-	-	(1,185,533)	-	(1,185,533)
Increase in share capital	33,716,693	10,288,173	-	-	-	-	-	-	-	44,004,866	-	44,004,866
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,062,576	1,062,576
Transfer to accumulated losses	-	-	-	-	-	(6,253,163)	-	-	6,253,163	-	-	-
Transactions with owners	33,716,693	10,288,173	(1,185,533)	-	-	(6,253,163)	-	-	6,253,163	42,819,333	1,062,576	43,881,909
Balance at 31 December 2011	80,288,257	32,950,027	(1,432,303)	157,713	7,087,901	501,900	(240,008)	7,978,617	(15,102,296)	112,189,808	1,092,682	113,282,490

The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2012 KD	(Restated) Year ended 31 Dec. 2011 KD
OPERATING ACTIVITIES			
Loss for the year		(361,684)	(15,071,833)
Adjustments for:			
Interest income		(249,070)	(137,293)
Dividend income		(744,695)	(622,385)
Impairment of available sale investments	16	822,084	2,728,793
Loss/(profit) on sale of available for sale investments		174,051	(667,753)
Provision for properties held for trading	15	-	278,904
Share of results of associates	17	3,451	228,893
Impairment of associate		-	76,367
Loss on sale of properties held for trading		124,456	19,205
(Reversal)/charge for provision for instalment credit debtors	12	(1,667,297)	6,406,522
Provision for doubtful debts	14	1,491,723	39,032
Finance costs		1,023,455	1,668,211
Depreciation		190,697	193,520
Gain on sale of property and equipment		(16)	-
Provision for staff indemnity		219,429	337,892
		1,026,584	(4,521,925)
Changes in operating assets and liabilities:			
Instalment credit debtors		16,314,937	21,004,417
Investments at fair value through statement of income		(256,469)	5,859,124
Held to maturity investment		(283,050)	-
Accounts receivable and other assets		(1,097,259)	(1,711,728)
Due from / to related parties		21,399	(79,736)
Accounts payable and other liabilities		(977,375)	1,686,014
Cash from operations		14,748,767	22,236,166
Staff indemnity paid		(994,005)	-
Net cash from operating activities		13,754,762	22,236,166
INVESTING ACTIVITIES			
Cash outflow on merger		-	(8,181,192)
Purchase of property and equipment		(65,120)	(25,960)
Proceeds from sale of property and equipment		1,612	-
Purchase of properties held for trading		(1,748,298)	-
Proceeds from sale of properties held for trading		1,638,452	910,389
Purchase of available for sale investments		(4,819,436)	(2,000,565)
Proceeds from sale of available for sale investments		2,309,161	1,439,844
Purchase of associates		(2,347,488)	-
Dividends income received		744,695	622,385
Interest income received		249,070	137,293
Net cash used in investing activities		(4,037,352)	(7,097,806)
FINANCING ACTIVITIES			
Net change in due to banks		(2,091,031)	1,241,354
(Repayment)/receipt of term loans		(2,545,082)	1,824,920
Repayment of murabaha payable		(1,600,000)	(10,625,142)
Repayment of bonds issued		-	(5,500,000)
Purchase of treasury shares		(538,714)	-
Sale of treasury shares		531,442	-
Finance costs paid		(1,023,455)	(1,668,211)
Net cash used in financing activities		(7,266,840)	(14,727,079)
Net increase in cash and cash equivalents		2,450,570	411,281
Translation of foreign operation		53,562	(10,508)
Cash and cash equivalents at beginning of the year		5,809,017	5,408,244
Cash and cash equivalents at end of the year	11	8,313,149	5,809,017

The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

International Finance Company – KSC (Closed) (the "parent company") was incorporated in Kuwait on 15 April 1980 in accordance with the Commercial Companies Law under the name of International Transport Equipment Company – KSC (Closed). On 14 December 1996 an extraordinary general assembly resolved to change the name of the parent company to International Murabaha Company – KSC (Closed). Later, on 24 April 2002 an extraordinary general assembly resolved to change the name of the parent company to International Finance Company – KSC (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 Markets Authority.

The group comprises the parent company and its subsidiaries (together referred as "the group"). The details of the subsidiaries are noted in Note 4.2.

The principal activities of the parent company are as follows.

1- Trading through transportation and related heavy equipment,
2- Financing the purchases of capital commodities and durable and non durable goods,
3- Leasing the capital goods and the durable goods,
4- Granting short and medium term loans for of individuals and legal entities,
5- Real estate investment transactions to manage and develop residential land, and constructing of commercial and residential units and complexes in order to sell them in cash or instalments or rent them,
6- Managing all types and forms of financial portfolios, investing and developing of funds by utilizing them locally and globally for the company or on behalf of its customers including required lending and borrowing operations.
7- Mediation in lending, borrowing, brokerage and guarantees transactions for a commission or fee.
8- Financing and brokerage in the international and local trading.
9- Managing and establishing mutual funds in accordance with the law and after obtaining the approval of the competent authorities.
10- Brokerage in international investment instruments and securities.
11- Investment in real estate, industrial, agricultural and other economic sectors, either directly or by participating in the establishment of specialized entities or buying the shares of these entities.
12- Buying and selling of foreign currencies and trading in precious metals for the company only.
13- Conducting researches and studies related to real estate projects as well as those relating to the utilization of funds for the company or for others.
14- Trading in securities such as shares, investment certificates and the like.

On 29 November 2012 the Companies Law No. (25) of 2012 was issued by an Amiri Decree. This law is to be implemented and was effective on the date of its publication in the Official Gazette. Companies already established at the time of this law became effective are required to adjust their circumstances in accordance with the provisions of the law within six months of it coming into force and as specified in the executive regulations.

The address of the parent company's registered office is PO Box 26442, Safat 13125, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2012 were approved for issuance by the board of directors of the parent company on 5 March 2013 and are subject to the approval of the general assembly of the shareholders.

Notes to the consolidated financial statements (continued)

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. These rates are to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period.

3 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except as follows.

3.1 Adoption of new IASB Standards and amendments during the year

The group has adopted the following amended IFRS during the year:

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 allow 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 financial position or performance of the group.

3.2 IASB Standards issued but not yet effective

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

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Management is yet to determine 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.

Standard or Interpretation	*Effective for annual periods beginning*
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
IAS 32 Financial Instruments: Presentation – amendments	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
Annual Improvements 2009-2011	1 January 2013

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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

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

The group will change the current presentation of the consolidated statement of comprehensive income when the amendment becomes effective.

3.2.2 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements
As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

3.2.3 IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures
As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

3.2.4 IFRS 9 Financial Instruments
The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety, with the replacement standard to be effective for annual periods beginning 1 January 2015. IFRS 9 is the first part of Phase 1 of this project. The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with derecognition.

3.2.5 IFRS 10 Consolidated Financial Statements
IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements. It revised the definition of control together with accompanying guidance to identify an interest in subsidiary. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

3.2.6 IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 is designed to complement the other new standards. It sets out consistent disclosure requirements for subsidiaries, joint ventures and associates, as well as unconsolidated structured entities. The disclosure requirements are extensive and will result in significant amounts of new disclosures for some companies. Structured entities were previously referred to in SIC 12 as special purpose entities. The disclosures required by IFRS 12 aim to provide transparency about the risks a company is exposed to through its interests in structured entities.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

3.2.7 IFRS 13 Fair Value Measurement
IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The adoption of this standard is not expected to have a significant impact on the financial position and performance of the group.

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

3.2.9 IFRS 7 Financial Instruments: Disclosures – Amendments
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. The amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the group's consolidated financial statements from these amendments.

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

Clarification of the requirements for opening statement of financial position:
- clarifies that the appropriate date for the opening statement of financial position 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.

Clarification of the requirements for comparative information provided beyond minimum requirements:
- 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.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

3.2.10 Annual Improvements 2009-2011 (continued)

Tax effect of distribution to holders of equity instruments:
- addresses a perceived inconsistency between IAS 12 'Income Taxes' (IAS 12) and IAS 32 'Financial Instruments: Presentation' (IAS 32) with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
- clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

Segment information for total assets and liabilities:
- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed 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 Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the group's consolidated financial statements from these amendments.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

4.1 Basis of preparation

These consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the parent company and are prepared under the historical cost convention, except for certain investments at fair value through statement of income and available for sale investments that are measured at fair value.

The group has elected to present the "statement of comprehensive income" in two statements: the "statement of income" and "statement of comprehensive income".

4.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries.

Subsidiaries are those enterprises controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.2 Basis of consolidation (continued)

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of income.

Details of subsidiary companies are set out below:

Company name	Ownership percentage % 31 Dec. 2012	31 Dec. 2011	Place of incorporation	Activity	Reporting date
Al-Addan Real Estate Co. – WLL	97%	97%	Kuwait	Trading in all real estate activities.	31 December 2012
Al-Addan International for Collection Co. – WLL	80%	80%	Kuwait	Trading in real estate activities and collect the money on behalf of other.	31 December 2012
Kuwait Invest Real Estate Co.– WLL	99%	99%	Kuwait	Real estate services	31 December 2012
International Finance Company – SAL	100%	100%	Lebanon	Finance services including financing, management and brokerage.	30 September 2012
IFA Securities Brokerage Co.- SAE	74.67%	74.67%	Egypt	Brokerage services	30 September 2012
International Financial Advisers Company – WLL	65.2%	65.2%	Jordan	Brokerage services	30 September 2012
Saudi Invest Real Estate Co. – WLL	100%	100%	Saudi Arabia	Real estate services	30 September 2012
Lot 67 Zimbali South Africa Investments (Pty) Ltd	100%	100%	South Africa	Investments activities	30 September 2012

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.3 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in statement of income immediately.

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

4.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration received or receivable, excluding taxes, rebates, and trade discounts. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

4.5.1 Instalment credit income

Interest on instalment credit facilities is calculated at the time of a contract with the customer. The customer repays the total amount due (including interest) by equal instalments over the period of the contract. The interest is allocated over the life of the agreement using the "effective interest" method. Interest relating to outstanding instalments is considered as deferred income and is included in the consolidated statement of financial position as a deduction from instalment credit debtors.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.5 Revenue recognition (continued)

4.5.2 Commission income

Commission income is recognised in full in the consolidated statement of income at the date of the contract with the customer.

4.5.3 Interest income

Interest income is recognised using the effective interest method.

4.5.4 Rental income

Rental income is recognised on a straight-line basis over the term of the rental contracts.

4.5.5 Dividend income

Dividend income is recognised when the right to receive payment is established.

4.6 Operating expenses

Operating expenses are recognised in consolidated statement of income upon utilisation of the service or at the date of their origin.

4.7 Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance of borrowing payable and applicable interest rate.

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

4.8 Taxation

4.8.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group attributable to the owners of the parent company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.8.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the group attributable to the owners of the parent company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

4.8.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the group attributable to the shareholders of the parent company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.9 Segment reporting

The group has four operating segments: instalment credit, investment, real estate and brokerage. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.10 Investment in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The group's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment and the consolidated statement of income reflects the group's share of the results of operations of associates.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the parent company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity. Changes in the group's share in associate's equity are recognised immediately in the consolidated statement of changes in equity.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates' and the parent company's reporting date.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.10 Investment in associates (continued)

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

4.11 Financial instruments

4.11.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through statement of income which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
  - (a) the group has transferred substantially all the risks and rewards of the asset or
  - (b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

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

4.11.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through statement of income (FVTSI)
- held to maturity (HTM) investments
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTSI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.11 Financial instruments (continued)

4.11.2 Classification and subsequent measurement of financial assets (continued)

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The group categorises loans and receivables into following categories:

- *Instalment credit debtors*

Instalment credit debtors are stated in the consolidated financial position at amortised cost, net of specific and general provisions. Specific provisions are made to reduce impaired receivables to their estimated recoverable amount and general provisions are made at a rate of 1% on instalment credit debtors for which no specific provisions were made, to provide for losses known from experience to exist, but not yet specifically identifiable, in accordance with Central Bank of Kuwait instructions in that respect. The recoverable amounts are based on estimated future cash flows discounted at the original effective interest rate on a portfolio basis for groups of similar debtors.

- *Due from related parties*

Due from related parties are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- *Accounts receivable and other assets*

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, balances with banks and other financial institutions and short term deposits due within three months net of bank overdrafts, which are subject to an insignificant risk of changes in value.

- ***Financial assets at FVTSI***

Classification of investments as financial assets at FVTSI depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of income in the management accounts, they are as designated at FVTSI upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.11 Financial instruments (continued)

4.11.2 Classification and subsequent measurement of financial assets (continued)

- *HTM investments*

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the group has the intention and ability to hold them until maturity. The group currently holds convertible notes designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in consolidated statement of income.

- *AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of income. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in statement of income. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to statement of income and presented as a reclassification adjustment within other comprehensive income.

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of income.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of income only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.11.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include due to banks, accounts payable and other liabilities, due to related parties, term loans and murabaha payable.

The subsequent measurement of financial liabilities depends on their classification as follows:

- *Financial liabilities other than at fair value through income statement*

These are stated using effective interest rate method. Due to banks, accounts payable and other liabilities, due to related parties, term loans, murabaha payable and bonds are classified as financial liabilities other than at FVTSI.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.11 Financial instruments (continued)

4.11.3 Classification and subsequent measurement of financial liabilities (continued)

- *Term loans, due to banks and bonds*

All term loans, due to banks and bonds are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Payables and other liabilities*

Payables and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

- *Murabaha payable*

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

All the profit-related charges are included within finance costs.

4.12 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.13 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.15 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 32.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Impairment of financial assets

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a company of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

i) For assets carried at fair value, impairment is the difference between cost and fair value;
ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
iii) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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

4.17 Impairment testing of goodwill and non financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.18 Properties held for trading

Properties held for trading are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

4.19 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the cost model. Investment properties are initially measured at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self constructed investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Gains and losses arising from the sale of investment properties are included in the consolidated statement of income.

The estimated useful life for the calculation of depreciation, excluding land, is 25 years using straight line method. The carrying amounts are reviewed at each reporting date on an individual basis to assess whether they are recorded in excess of their recoverable amount. Provision for impairment losses, if any, are made where carrying values exceed the recoverable amount.

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

4.20 Property and equipment

Land is stated at cost less any impairment losses based upon the reports of independent professional valuers.

Capital expenditure on assets in the course of construction where engineering drawings are complete or where the group has obtained a licence for development from the official authorities or has commenced construction works thereon are deferred as Building under Construction. Such costs are subsequently charged to the consolidated statement of income if the project is abandoned, or, if the project is completed, are capitalised and transferred to the appropriate property and equipment category, from which time depreciation is charged using the rate applicable to the category concerned. Interest incurred on funds specifically obtained to finance construction activities are capitalised using the actual interest rate incurred during construction.

Other property and equipment assets are stated at cost less accumulated depreciation. The group depreciates these assets using the straight-line method at rates estimated to fully depreciate the cost of the property and equipment over their expected useful lives.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property. In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.21 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

4.22 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Other components of equity include the following:

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into KD.

Fair value reserve – comprises valuation gains and losses relating to available for sale financial assets.

Treasury shares reserve – comprises gains and losses resulting from sale of treasury shares.

Retained earnings / Accumulated losses includes all current and prior period retained profits and losses.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.23 Treasury shares
Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.23 Treasury shares (continued)

When the treasury shares are reissued, gains are recorded directly in "Treasury shares reserve" in the shareholders' equity. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and legal reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

4.24 Related parties transactions

Related parties are those of the associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out in the normal course of business and with the approval of the group's management.

4.25 End of service indemnity

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

4.26 Foreign currency translation

4.26.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.26.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.26.3 Foreign operations

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.26 Foreign currency translation (continued)

4.26.3 Foreign operations (continued)
On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to the consolidated statement of income and are recognised as part of the gain or loss on disposal.

4.27 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the group and accordingly are not included in these consolidated financial statements.

5 Significant management judgements and estimation uncertainty

The preparation of the group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

5.1 Significant management judgments

In the process of applying the group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

5.1.1 Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as at fair value through statement of income depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as designated at fair value through statement of income.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.1 Classification of financial instruments (continued)

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the group has the intention and ability to hold them until maturity. The group currently holds convertible notes designated into this category.

All other financial assets are classified as available for sale.

5.1.2 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

5.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different

5.2.1 Impairment of assets with definite lives

At the financial position date, the group's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value in use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

5.2.2 Impairment of associates

After application of the equity method, the group determines whether it is necessary to recognise any impairment loss on the group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

5.2.3 Impairment of available for sale investments

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

5.2.4 Impairment of receivables

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

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.5 Classification of real estate property
Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The group classifies property as property under development if it is acquired with the intention of development.

The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

5.2.6 Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

5.2.7 Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

5.2.8 Fair value of financial instruments
Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 32).

6 Income from instalment credit

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Interest income from instalment credit	2,124,174	2,589,410
Discount, commission and fees	474,016	509,242
	2,598,190	3,098,652

Notes to the consolidated financial statements (continued)

7 Dividend income

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
From:		
Investments at fair value through statement of income	302,527	118,194
Available for sale investments	442,168	504,191
	744,695	622,385

8 Finance costs

Finance costs relate to the group's borrowing activities including amounts due to banks, term loans and murabaha payable.

9 Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to the owners of the parent company by the weighted average number of shares outstanding during the year excluding treasury shares.

The parent company had no outstanding dilutive potential shares.

	Year ended 31 Dec. 2012	(Restated) Year ended 31 Dec. 2011
Profit/(loss) for the year attributable to owners of the parent company (KD)	121,344	(15,102,296)
Weighted average number of shares outstanding during the year (excluding treasury shares) – share	796,510,125	709,262,127
Basic and diluted earnings/(loss) per share attributable to owners of the parent company – Fils	0.152	(21.292)

10 Net gain/(loss) on financial assets

Net gain/(loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Cash and cash equivalents	249,070	137,293
Instalments credit debtors	4,265,487	(3,307,870)
Investments at fair value through statement of income	524,239	(5,403,421)
Held to maturity investment	28,201	-
Available for sale investments		
- (loss)/profit on sale of available for sale investments	(174,051)	667,753
- impairment of available for sale investments	(822,084)	(2,728,793)
- Dividend income	442,168	504,191
Net realised and unrealised gain/(loss)	4,513,030	(10,130,847)
Net unrealised gain directly in equity	636,970	6,689,471
	5,150,000	(3,441,376)

Notes to the consolidated financial statements (continued)

11 Cash and cash equivalents

	31 Dec. 2012 KD	31 Dec. 2011 KD
Cash and bank balances	5,524,357	3,743,288
Term deposits (mature within 1-3 months)	2,788,792	2,065,729
	8,313,149	5,809,017

The term deposits carry an effective annual interest rate of 1.75% (31 December 2011: 1.75%)

12 Instalment credit debtors

	31 Dec. 2012 KD	31 Dec. 2011 KD
Gross instalment credit debtors	39,636,721	57,346,755
Deferred income	(1,179,136)	(1,557,422)
	38,457,585	55,789,333
Specific provision for doubtful debts	(14,767,423)	(17,063,718)
General provision for doubtful debts	(569,665)	(957,478)
	23,120,497	37,768,137

Gross instalment credit debtors are repayable as follows:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Within one year	30,326,338	43,146,038
After one year	9,310,383	14,200,717
	39,636,721	57,346,755

The effective annual interest rate earned on income from instalment credit ranged from 3% to 9% per annum (31 December 2011: 3% to 9.25%)

The movement in the provision for instalment credit debtors is as follows:

	31 Dec. 2012			31 Dec. 2011		
	Specific provision	General provision	Total	Specific provision	General provision	Total
Opening balance	17,063,718	957,478	18,021,196	11,107,811	516,272	11,624,083
Foreign currency translation	11,505	-	11,505	(9,409)	-	(9,409)
Written off	(1,028,316)	-	(1,028,316)	-	-	-
Charge for the year	40,389	24,426	64,815	5,965,316	441,206	6,406,522
Reversal during the year	(1,319,873)	(412,239)	(1,732,112)	-	-	-
Closing balance	14,767,423	569,665	15,337,088	17,063,718	957,478	18,021,196

Notes to the consolidated financial statements (continued)

12 Instalment credit debtors (continued)

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 within the gross instalment credit debtor is an amount of KD13,379,803 (31 December 2011: KD15,224,786) in respect of related parties (note 30). This amount is secured by way of pledge of certain local and foreign shares.

The gross instalment credit debtors include an amount of KD747,059 (31 December 2011: KD1,560,535) representing a portfolio of customer loans which have been discounted according to a debt factoring agreement with a local bank (note 20).

13 Investments at fair value through statement of income

	31 Dec. 2012 KD	31 Dec. 2011 KD
Local quoted shares	1,289,837	804,382
Foreign quoted shares	264,531	240,530
Investment in managed portfolios	6,071,685	6,324,672
	7,626,053	7,369,584

An investment portfolio with a carrying value of KD6,071,685 (31 December 2011: KD6,324,672) is pledged against term loans and murabaha payable (notes 22 and 23).

14 Accounts receivable and other assets

	31 Dec. 2012 KD	31 Dec. 2011 KD
Trade receivables	3,200,663	4,018,431
Provision for doubtful debts (see below)	(1,491,723)	(39,032)
	1,708,940	3,979,399
Staff loans receivable	34,077	402,660
Prepayments and refundable deposits	44,904	48,829
Advance payment towards purchase of investments	2,263,541	-
Other assets	977,656	992,694
	5,029,118	5,423,582

a) This represents provisions for certain doubtful receivables by two foreign subsidiaries of the group.

15 Properties held for trading

Properties held for trading represent the group's share of investments in properties outside Kuwait.

Notes to the consolidated financial statements (continued)

15 Properties held for trading (continued)

The movement in the properties held for trading is as follows:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Balance at 1 January	4,271,720	2,724,276
Arising on business combination	-	2,177,369
Additions	1,748,298	434,353
Sale	(2,065,303)	(1,064,278)
	3,954,715	4,271,720
Provision for properties held for trading	(717,993)	(1,020,388)
Balance at 31 December	3,236,722	3,251,332

The movement in the provision for properties held for trading is as follows:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Balance at 1 January	1,020,388	238,664
Relating to sale	(302,395)	(134,685)
Arising on business combination	-	637,505
Charge for the year	-	278,904
Balance at 31 December	717,993	1,020,388

16 Available for sale investments

	31 Dec. 2012 KD	31 Dec. 2011 KD
Local quoted shares	23,267,347	22,788,046
Local unquoted shares	16,435,138	11,275,769
Foreign quoted shares	-	140,786
Foreign unquoted shares	9,328,058	9,525,026
Investment in managed portfolios	2,545,007	4,890,443
Investment funds	220,279	1,024,649
	51,795,829	49,644,719

The movement in the available for sale investments is as follows:

	2012 KD	2011 KD
Balance at 1 January	49,644,719	21,777,561
Additions during the year	4,819,436	2,104,700
Arising on business combination	-	16,803,811
Transferred from investments at fair value through statement of income	-	8,355,005
Transferred to investment in associates	-	(1,918,233)
Sale during the year	(2,206,907)	(1,987,450)
Change in fair value	(461,419)	4,509,325
Balance at 31 December	51,795,829	49,644,719

Notes to the consolidated financial statements (continued)

16 Available for sale investments (continued)

The unquoted investments include investments having a carrying value of KD10,989,685 (31 December 2011: KD6,950,170) stated at cost due to the unavailability of reliable sources to determine their fair values. Management studies and cash flow expectations for these investments do not indicate any impairment for these investments.

Quoted and unquoted local shares and investments in managed portfolios with an aggregate carrying value of KD18,507,181 (31 December 2011: KD18,861,050) are pledged against due to banks, term loans and murabaha payable (Note 20, 22 and 23).

The investments in managed funds are carried at net asset value provided by the fund managers which represent the best estimate of fair value available for these investments.

During the year the group recognised an impairment loss of KD822,084 (2011: KD2,728,793) on certain investments. Management has performed an analysis of the underlying investment which indicates that there is no further impairment.

17 Investment in associates

	Country of Incorporation	Percentage of ownership		Activity
		31 Dec. 2012 %	31 Dec. 2011 %	
Offset Holding Co. KSCC	Kuwait	50%	50%	Brokerage
Al Wafir Markets Services Co. KSCC	Kuwait	29.77%	24.80%	Real Estate
Al Oula Slaughterhouse Co. KSCC	Kuwait	28.89%	28.89%	Services
Gulf Real Estate Co. WLL	Kuwait	20.13%	20.13%	Real Estate
Al Safat House Co. WLL	Kuwait	20%	20%	Real Estate
Hill Top UK Ltd.	United Kingdom	22.18%	-	Real Estate

The movement in the investment in associates is as follows:

	31 Dec. 2012 KD	(Restated) 31 Dec. 2011 KD
At 1 January	28,166,915	-
Arising from business combination	-	26,557,100
Additions	2,347,488	-
Reclassification from available for sale investments	-	1,918,233
Impairment of associate	-	(76,367)
Share of results (restated, see below)	(3,451)	(228,893)
Restatement adjustment in an associate	(100,540)	-
Share of other comprehensive income of associates	-	(3,158)
At 31 December	**30,410,412**	**28,166,915**

In 2011, as a result of the merger between Kuwait Invest Holding Company – K.S.C. (Closed) and Jeezan Holding Company – KSC (Closed) with the parent company, the group's additional acquisition in Al Wafir Markets Services Co. K.S.C.C. resulted in a provisional goodwill of KD5,144,856. The fair value of identifiable assets and liabilities acquired had been provisionally determined by the management of the parent company and the resultant goodwill was subject to revision within twelve months of the acquisition date.

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

During the measurement period, which was no longer than one year from the acquisition date, the parent company adjusted the provisional amounts upon the completion of the fair valuation of net identifiable assets and liabilities, in order to reflect the new information obtained regarding events that existed at the acquisition date. As a result, the parent company reduced goodwill to KD2,537,726 arising from the excess of the acquisition consideration over the fair value of the group's share of net assets acquired. Further, the remeasurement resulted in an adjustment to the opening balance of accumulated losses as of 1 January 2012 relating to additional amortisation of the right of use of land amounting to KD98,709. The results of the year ended 31 December 2011 have also been restated with the same amount to reflect the remeasurement.

In December 2012, the group acquired an additional 4.97% interest in Al Wafir for a total consideration of KD2,321,653. The acquisition date fair value of the additional interest of net assets acquired by the group amounted to KD1,431,695. As a result, the group recognised a goodwill of KD889,958 arising from the excess of the purchase consideration over the share of the fair value of the net assets acquired.

During the year the group participated in the establishment of Hilltop UK Limited with an amount of KD25,831 representing its 22.18% equity interest in the associate.

	31 Dec. 2012 KD	31 Dec. 2011 KD
Aggregate share in associates' assets and liabilities:		
Assets	38,750,909	30,501,464
Liabilities	11,768,181	4,872,275
	26,982,728	25,629,189

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Aggregate share in associates' results:		
Revenue	2,622,116	1,636,731
Loss	(3,451)	(228,893)

All associates are unquoted.

18 Investment property

	Land KD	Building KD	Total KD
Cost			
1 January 2012 (restated)	1,023,750	1,484,989	2,508,739
31 December 2012	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2012 (restated)	-	440,429	440,429
Charge for the year	-	59,063	59,063
31 December 2012	-	499,492	499,492
Net book value			
31 December 2012	1,023,750	985,497	2,009,247
Fair value as at			
31 December 2012	1,436,935	1,383,245	2,820,180

Notes to the consolidated financial statements (continued)

18 Investment property (continued)

	Land KD	Building KD	Total KD
Cost			
1 January 2011 (restated)	1,023,750	1,484,989	2,508,739
31 December 2011	1,023,750	1,484,989	2,508,739
Accumulated depreciation			
1 January 2011 (restated)	-	381,366	381,366
Charge for the year	-	59,063	59,063
31 December 2011	-	440,429	440,429
Net book value			
31 December 2011	1,023,750	1,044,560	2,068,310

Land is not depreciated. Building is depreciated over 25 years. The fair value of the investment property is based on independent valuations. The building is mortgaged against term loans (note 22).

During the year, the group reclassified certain portion of its land and building which was earlier accounted for as property and equipment under IAS 16. The reclassification was necessitated since part of the building was rented and therefore, should have been accounted for part as an investment property under IAS 40.

The group instituted a detailed study of the usage of the land and building as well as respective valuation of the same by independent valuers. Based on the study, the group determined the ratio of allocation of the land and building between investment property and property and equipment.

The consolidated financial statements have been restated to reflect the above adjustments with retrospective effect. Since, the group adopted cost model for the investment property, there was no effect on the results for the year ended 2010 and 2011 as well as equity as at 31 December 2010 and 2011.

The reclassification had the following impact on the consolidated financial position of the group:

- Increase in investment property at 31 December 2011 and 1 January 2011 by KD2,068,310 and KD2,127,373 respectively;

- Decrease in property and equipment at 31 December 2011 and 1 January 2011 by KD2,068,310 and KD2,127,373 respectively.

Notes to the consolidated financial statements (continued)

19 Property and equipment

31 December 2012:	Land KD	Building KD	Office equipment and computers KD	Fixtures and decoration KD	Computer software KD	Work in progress KD	2012 Total KD
Cost							
At 1 January, as reported	2,340,000	3,500,241	382,830	283,936	89,222	-	6,596,229
Prior year adjustment (note 18)	(1,023,750)	(1,484,989)	-	-	-	-	(2,508,739)
At 1 January, as restated	1,316,250	2,015,252	382,830	283,936	89,222	-	4,087,490
Additions	-	-	18,617	3,249	21,254	22,000	65,120
Disposals	-	(1,690)	(25,884)	(10,628)	-	-	(38,202)
At 31 December	1,316,250	2,013,562	375,563	276,557	110,476	22,000	4,114,408
Accumulated depreciation							
At 1 January, as reported	-	1,022,935	346,557	243,575	57,505	-	1,670,572
Prior year adjustment (note 18)	-	(440,429)	-	-	-	-	(440,429)
At 1 January, as restated	-	582,506	346,557	243,575	57,505	-	1,230,143
Charge for the year	-	81,111	22,314	20,336	7,873	-	131,634
Related to disposals	-	-	(25,609)	(10,999)	-	-	(36,608)
At 31 December	-	663,617	343,262	252,912	65,378	-	1,325,169
Net book value							
At 31 December	1,316,250	1,349,945	32,301	23,645	45,098	22,000	2,789,239

Notes to the consolidated financial statements (continued)

19 Property and equipment (continued)

31 December 2011 (Restated):	Land KD	Building KD	Office equipment and computers KD	Fixtures and decoration KD	Computer software KD	2011 Total KD
Cost						
At 1 January, as reported	2,340,000	3,394,262	284,028	254,372	46,780	6,319,442
Prior year adjustment (note 18)	(1,023,750)	(1,484,989)	-	-	-	(2,508,739)
At 1 January, as restated	1,316,250	1,909,273	284,028	254,372	46,780	3,810,703
Arising on business combination	-	105,979	75,254	24,802	41,222	247,257
Additions	-	-	30,217	5,031	1,220	36,468
Disposals	-	-	(6,667)	(269)	-	(6,936)
At 31 December	1,316,250	2,015,252	382,832	283,936	89,222	4,087,492
Accumulated depreciation						
At 1 January, as reported	-	871,695	241,208	207,941	41,405	1,362,249
Prior year adjustment (note 18)	-	(381,366)	-	-	-	(381,366)
At 1 January, as restated	-	490,329	241,208	207,941	41,405	980,883
Arising on business combination	-	12,487	80,793	15,616	12,513	121,409
Charge for the year – restated	-	79,690	31,097	20,083	3,587	134,457
Disposals	-	-	(6,541)	(65)	-	(6,606)
At 31 December	-	582,506	346,557	243,575	57,505	1,230,143
Net book value						
At 31 December	1,316,250	1,432,746	36,275	40,361	31,717	2,857,349

The building is depreciated over 25 years. The building is mortgaged against term loans (note 22).

The estimated useful lives of the group's office equipment, fixtures and decoration for the calculation of depreciation is 4 years, with the exception of its computer software which is depreciated over 3 years. Land is not depreciated.

Notes to the consolidated financial statements (continued)

20 Due to banks

This represents credit facilities granted to the group from a local bank in the form of overdraft facilities. The credit facilities carry interest rate of 4.5% per annum (31 December 2011: ranged between 5.5% to 6% per annum) and payable on demand. Credit facilities are granted against pledge of available for sale investments (note 16).

This balance also includes an amount of KD528,078 (31 December 2011: KD1,360,554) due to a bank against the factoring of certain instalment credit debtors (note 12).

21 Accounts payable and other liabilities

	31 Dec. 2012 KD	31 Dec. 2011 KD
Trade payables	1,173,878	508,783
Other payables	1,910,358	1,234,613
Accrued interest	221,622	348,074
Provision for staff leaves	88,024	98,594
KFAS payable	296,535	346,535
NLST payable	2,651,634	2,651,634
Due to shareholders	225,476	2,356,669
	6,567,527	7,544,902

22 Term loans

Term loans are repayable to local and foreign banks in different periods and bear interest at annual rate of 5.5% (31 December 2011: 4.16% to 8.50%).

Loans are repayable as follows:

	31 Dec. 2012	31 Dec. 2011
Kuwait Dinar	1,706,800	3,413,600
US Dollar	-	838,282
	1,706,800	4,251,882

	31 Dec. 2012 KD	31 Dec. 2011 KD
Within one year	1,706,800	2,118,382
After one year	-	2,133,500
	1,706,800	4,251,882

Loans are all denominated in Kuwaiti Dinars and are secured by the assignment of instalment credit contracts and pledge of investment at fair value through statement of income, available for sale investments and property and equipment (notes 13,16 and 19).

Notes to the consolidated financial statements (continued)

23 Murabaha payable

This represents Islamic financing obtained from a local financial institution, carrying an effective profit rate of 6% (31 December 2011: 6%). This financing is secured by way of mortgage of certain investments at fair value through statement of income, available for sale investments and treasury shares (notes 13,16 and 25).

Murabaha payable is due as follows:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Within one year	1,600,000	1,600,000
After one year	6,800,000	8,400,000
	8,400,000	10,000,000

24 Share capital and share premium

As at 31 December 2012, the authorised, issued and paid up share capital of the parent company consists of 802,882,565 shares of 100 fils each (31 December 2011: 802,882,565 shares). All shares are in cash or in kind.

The share premium is non distributable.

25 Treasury shares

	31 Dec. 2012 KD	31 Dec. 2011 KD
Number of treasury shares	6,363,449	6,394,205
Percentage of ownership	0.793%	0.796%
Market value (KD)	445,434	652,219
Cost (KD)	931,786	1,432,303

Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

Treasury shares amounting to KD62,006 (31 December 2011: KD90,353) are pledged against murabaha payables (note 23).

26 Reserves

Legal reserve

In accordance with the Companies Law and the parent company's Articles of Association, 10% of the profit for the year attributed to the owners of the parent company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is transferred to legal reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. No transfer is required in a year in which the parent company has incurred a loss or where cumulative losses exist.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary reserve

The parent company's Articles of Association require that 10% of the profit for the year attributable to the owners of the parent company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve.

Notes to the consolidated financial statements (continued)

27 General assembly

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

Subsequent to the financial position date, the board of directors have proposed not to distribute any dividends for the year ended 31 December 2012. This proposal is subject to the approval of the general assembly of the shareholders.

28 Fiduciary assets

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 consolidated financial position. Total fiduciary assets as at the financial position date were KD2,089,882 (31 December 2011: KD2,242,079).

29 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its annual audited consolidated financial statements.

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

	Instalment credit KD	Investments KD	Real estate investment KD	Financial brokerage KD	Total KD
Year ended 31 December 2012					
Total income/(loss)	**4,321,828**	**1,462,231**	**(11,636)**	**224,397**	**5,996,820**
Profit/(loss) for the year	**1,721,979**	**(266,903)**	**(70,701)**	**(1,746,059)**	**(361,684)**
As at 31 December 2012					
Total assets	**34,480,352**	**73,290,876**	**7,845,969**	**19,798,172**	**135,415,369**
Total liabilities	**5,463,829**	**13,160,294**	**-**	**3,287,720**	**21,911,843**
Net assets	**29,016,523**	**60,130,582**	**7,845,969**	**16,510,452**	**113,503,526**
Year ended 31 December 2011 (restated)					
Total income/(losses)	3,098,652	(4,089,406)	530,060	394,711	(65,983)
Loss for the year	(7,090,565)	(7,709,895)	(251,156)	(20,217)	(15,071,833)
As at 31 December 2011 (restated)					
Total assets	48,682,754	67,551,458	5,851,331	20,353,138	142,438,681
Total liabilities	10,078,066	16,986,052	-	2,092,073	29,156,191
Net assets	38,604,688	50,565,406	5,851,331	18,261,065	113,282,490

Notes to the consolidated financial statements (continued)

30 Related party transactions

Related parties represent associates, 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:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Consolidated statement of financial position		
Instalment credit debtors-gross (note 12)	13,379,803	15,224,786
Due from related parties	802,053	79,736
Due to shareholders (note 21)	225,476	2,356,669
Due to related parties	2,222,582	1,478,866

	Year ended 31 Dec. 2012 KD	Year ended 31 Dec. 2011 KD
Consolidated statement of income		
Reversal of provision for instalment credit debtors	281,974	-
Interest from instalment credit debtors	1,038,611	743,872
Key management compensation:		
Salaries and other short term benefits	173,748	263,543
Employees' end of service benefits	16,717	270,824

31 Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risk, credit risk and liquidity risk.

The parent company's board of directors sets out policies for reducing each of the risks discussed below.

The group does not use derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed are described below.

31.1 Market risk

a) Foreign currency risk

The group mainly operates in the GCC, other Middle Eastern countries and Europe and is exposed to foreign currency risk arising from various foreign currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

a) Foreign currency risk (continued)

The group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2012 KD	31 Dec. 2011 KD
US Dollar	8,178,928	7,535,520
Lebanese Lira	6,873,410	5,972,068
GBP	2,371,704	-
Egyptian Pound	1,605,081	1,988,125
UAE Dirham	282,164	281,250
Bahraini Dinar	558,641	569,705
Saudi Riyal	773,358	945,026
Euro	130,655	151,750
Omani Riyal	46,434	54,200
Thailand Baht	-	140,786
Jordanian Dinar	849,817	1,464,123
South African Rand	(22,833)	(36,256)

The following table details the group's sensitivity to a 2% (2011: 2%) increase and decrease in the KD against above foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and liabilities and adjusts their translation at the year end for a 2% change in foreign currency rates. A positive number below indicates an increase in profit and equity and a negative number indicates decrease in profit and equity. All other variables are held constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	+2 % Impact	+2 % Impact	-2 % Impact	-2 % Impact
	31 Dec. 2012 KD	31 Dec. 2011 KD	31 Dec. 2012 KD	31 Dec. 2011 KD
Profit for the year	247,569	179,554	(247,569)	(179,554)
Equity	185,378	201,772	(185,378)	(201,772)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. As the group is not exposed to a significant interest rate risk on interest bearing assets, the group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rate. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a daily basis and hedging strategies used, if required, to ensure positions are maintained within established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

b) Interest rate risk (continued)

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2012 was as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Non-interest bearing items KD	Total KD	Effective interest rate (%)
Assets							
Cash and cash equivalents	5,524,357	2,788,792	-	-	-	8,313,149	1.75
Instalment credit debtors	918,184	1,011,110	16,889,044	4,302,159	-	23,120,497	3-9
Investments at fair value through statement of income	-	-	-	-	7,626,053	7,626,053	-
Held to maturity investment	-	-	283,050	-	-	283,050	15
Accounts receivable and other assets	-	-	-	-	5,029,118	5,029,118	-
Due from related parties	-	-	-	-	802,053	802,053	-
	6,442,541	3,799,902	17,172,094	4,302,159	13,457,224	45,173,920	
Liabilities							
Due to banks	2,040,297	101,891	346,873	30,219	-	2,519,280	4.5
Accounts payable and other liabilities	-	-	-	-	6,567,527	6,567,527	-
Due to related parties	-	-	-	-	2,222,582	2,222,582	-
Term loans	-	426,700	1,280,100	-	-	1,706,800	5.5
Murabaha payable	800,000	-	800,000	6,800,000	-	8,400,000	6
Provision for end of service indemnity	-	-	-	-	495,654	495,654	-
	2,840,297	528,591	2,426,973	6,830,219	9,285,763	21,911,843	

The group's interest rate exposure based on earlier of contractual repricing arrangements and maturity at 31 December 2011 was as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Non-interest bearing items KD	Total KD	Effective interest rate (%)
Assets							
Cash and cash equivalents	3,743,288	2,065,729	-	-	-	5,809,017	1.75
Instalment credit debtors	1,825,844	1,410,295	21,060,562	13,471,436	-	37,768,137	3 - 9.25
Investments at fair value through statement of income	-	-	-	-	7,369,584	7,369,584	-
Accounts receivable and other assets	-	-	-	-	5,423,582	5,423,582	-
Due from related parties	-	-	-	-	79,736	79,736	-
	5,569,132	3,476,024	21,060,562	13,471,436	12,872,902	56,450,056	
Liabilities							
Due to banks	3,249,757	-	-	1,360,554	-	4,610,311	5.5 - 6
Accounts payable and other liabilities	-	-	-	-	7,544,902	7,544,902	-
Due to related parties	-	-	-	-	1,478,866	1,478,866	-
Term loans	1,078,960	-	1,039,422	2,133,500	-	4,251,882	4.16 – 8.5
Murabaha payable	-	-	1,600,000	8,400,000	-	10,000,000	6
Provision for end of service indemnity	-	-	-	-	1,270,230	1,270,230	-
	4,328,717	-	2,639,422	11,894,054	10,293,998	29,156,191	

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in interest rates of +1% and –1% (2011: +1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant.

	31 Dec. 2012		31 Dec. 2011	
	+ 1% KD	-1% KD	+ 1% KD	-1% KD
Result for the year	190,906	(190,906)	247,150	(247,150)
Equity	190,906	(190,906)	247,150	(247,150)

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income (including trading securities), and available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the consolidated financial statements date.

If equity prices had been 10% higher/lower, the effect on the result for the year and equity for the years ended 31 December 2012 and 2011 would have been as follows:

	Result for the year		Equity	
	31 Dec. 2012 KD	31 Dec. 2011 KD	31 Dec. 2012 KD	31 Dec. 2011 KD
Investments at fair value through statement of income	±762,605	±736,958	±762,605	±736,958
Available for sale investments	-	-	±5,179,583	±4,964,472

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarised below:

Notes to the consolidated financial statement (continued)

31 Risk management objectives and policies (continued)

31.2 Credit risk (continued)

	31 Dec. 2012 KD	31 Dec. 2011 KD
Cash and cash equivalents	8,313,149	5,809,017
Instalment credit debtors	23,120,497	37,768,137
Investments at fair value through statement of income (note 13)	6,071,685	6,324,672
Held to maturity investment	283,050	-
Accounts receivable and other assets	5,029,118	5,423,582
Due from related parties	802,053	79,736
Total	43,619,552	55,405,144

Information on other significant concentrations of credit risk is set out in note 31.3.

31.3 Concentration of assets

The distribution of assets by geographic region was as follows:

	Kuwait KD	GCC KD	Other Middle Eastern countries KD	USA, Europe & other KD	Total KD
At 31 December 2012					
Cash and cash equivalents	3,051,181	1,878	5,110,337	149,753	8,313,149
Instalment credit debtors	17,277,271	-	5,843,226	-	23,120,497
Investments at fair value through statement of income	7,361,521	-	264,532	-	7,626,053
Held to maturity investment	-	-	-	283,050	283,050
Accounts receivable and other assets	842,105	-	1,859,312	2,327,701	5,029,118
Due from related parties	28,672	-	153,434	619,947	802,053
Properties held for trading	-	2,981,767	-	254,955	3,236,722
Available for sale investments	42,514,238	1,897,738	137,857	7,245,996	51,795,829
Investment in associates	30,384,581	-	-	25,831	30,410,412
Investment property	2,009,247	-	-	-	2,009,247
Property and equipment	2,634,577	-	154,662	-	2,789,239
Total	106,103,393	4,881,383	13,523,360	10,907,233	135,415,369
At 31 December 2011 (restated)					
Cash and cash equivalents	2,521,911	1,860	3,279,660	5,586	5,809,017
Instalment credit debtors	32,827,451	-	4,940,686	-	37,768,137
Investments at fair value through statement of income	7,129,054	-	240,530	-	7,369,584
Accounts receivable and other assets	750,246	603,019	4,061,324	8,993	5,423,582
Due from related parties	27,884	-	51,852	-	79,736
Properties held for trading	-	2,990,218	-	261,114	3,251,332
Available for sale investments	39,076,873	3,012,917	167,737	7,387,192	49,644,719
Investment in associates	28,166,915	-	-	-	28,166,915
Investment property	2,068,310	-	-	-	2,068,310
Property and equipment	2,693,238	-	164,111	-	2,857,349
Total	115,261,882	6,608,014	12,905,900	7,662,885	142,438,681

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date. The maturity profile for available for sale investments is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities at 31 December 2012:

	Up to 1 month	1-3 months	3-12 months	Sub-total Upto 1 Year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
ASSETS						
Cash and cash equivalents	5,524,356	2,788,793	-	8,313,149	-	8,313,149
Instalment credit debtors	918,184	1,011,110	16,889,044	18,818,338	4,302,159	23,120,497
Investments at fair value through statement of income	7,626,053	-	-	7,626,053	-	7,626,053
Held to maturity investment	-	-	283,050	283,050	-	283,050
Accounts receivables and other assets	743,839	1,757,993	225,768	2,727,600	2,301,518	5,029,118
Due from related parties	-	-	182,106	182,106	619,947	802,053
Properties held for trading	-	-	3,236,722	3,236,722	-	3,236,722
Available for sale investments	-	-	-	-	51,795,829	51,795,829
Investment in associates	-	-	-	-	30,410,412	30,410,412
Investment property	-	-	-	-	2,009,247	2,009,247
Property and equipment	-	-	-	-	2,789,239	2,789,239
Total assets	14,812,432	5,557,896	20,816,690	41,187,018	94,228,351	135,415,369
LIABILITIES						
Due to banks	2,040,297	101,891	346,873	2,489,061	30,219	2,519,280
Accounts payable and other liabilities	347,409	2,158,077	1,410,407	3,915,893	2,651,634	6,567,527
Due to related parties	-	-	2,222,582	2,222,582	-	2,222,582
Term loans	-	426,700	1,280,100	1,706,800	-	1,706,800
Murabaha payable	800,000	-	800,000	1,600,000	6,800,000	8,400,000
Provision for end of service indemnity	-	-	-	-	495,654	495,654
Total liabilities	3,187,706	2,686,668	6,059,962	11,934,336	9,977,507	21,911,843

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2011:

	Up to 1 month	1-3 months	3-12 months	Sub-total Upto 1 Year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
ASSETS (restated)						
Cash and cash equivalents	3,743,288	2,065,729	-	5,809,017	-	5,809,017
Instalment credit debtors	1,825,844	1,410,295	21,060,562	24,296,701	13,471,436	37,768,137
Investments at fair value through statement of income	7,369,584	-	-	7,369,584	-	7,369,584
Accounts receivables and other assets	862,496	4,157,341	65,777	5,085,614	337,968	5,423,582
Due from related parties	-	-	79,736	79,736	-	79,736
Properties held for trading	-	-	3,251,332	3,251,332	-	3,251,332
Available for sale investments	-	-	-	-	49,644,719	49,644,719
Investment in associates	-	-	-	-	28,166,915	28,166,915
Investment property	-	-	-	-	2,068,310	2,068,310
Property and equipment	-	-	-	-	2,857,349	2,857,349
Total assets	13,801,212	7,633,365	24,457,407	45,891,984	96,546,697	142,438,681
LIABILITIES						
Due to banks	3,249,757	-	-	3,249,757	1,360,554	4,610,311
Accounts payable and other liabilities	544,676	1,021,183	4,052,175	5,618,034	1,926,868	7,544,902
Due to related parties	-	-	1,478,866	1,478,866	-	1,478,866
Term loans	1,078,960	-	1,039,422	2,118,382	2,133,500	4,251,882
Murabaha payable	-	-	1,600,000	1,600,000	8,400,000	10,000,000
Provision for end of service indemnity	-	-	-	-	1,270,230	1,270,230
Total liabilities	4,873,393	1,021,183	8,170,463	14,065,039	15,091,152	29,156,191

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk (continued)

The contractual maturity profile of the financial liabilities based on undiscounted cash flow is as follows:

	Up to 1 month	1-3 months	3-12 months	Sub-total Upto 1 Year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
31 December 2012						
Financial liabilities						
Due to banks	**2,160,794**	**101,891**	**346,873**	**2,609,558**	**30,219**	**2,639,777**
Accounts payable and other liabilities	**347,409**	**2,158,077**	**1,410,407**	**3,915,893**	**2,651,634**	**6,567,527**
Due to related parties	**-**	**-**	**2,222,582**	**2,222,582**	**-**	**2,222,582**
Term loans	**-**	**441,360**	**1,315,715**	**1,757,075**	**-**	**1,757,075**
Murabaha payable	**843,381**	**76,208**	**1,123,178**	**2,042,767**	**7,168,219**	**9,210,986**
Provision for end of service indemnity	**-**	**-**	**-**	**-**	**495,654**	**495,654**
	3,351,584	**2,777,536**	**6,418,755**	**12,547,875**	**10,345,726**	**22,893,601**
31 December 2011						
Financial liabilities						
Due to banks	3,321,474	-	-	3,321,474	1,360,554	4,682,028
Accounts payable and other liabilities	544,676	1,021,183	4,052,175	5,618,034	1,926,868	7,544,902
Due to related parties	-	-	1,478,866	1,478,866	-	1,478,866
Term loans	1,111,506	-	1,161,171	2,272,677	2,183,775	4,456,452
Murabaha payable	-	-	2,090,688	2,090,688	9,210,986	11,301,674
Provision for end of service indemnity	-	-	-	-	1,270,230	1,270,230
	4,977,656	1,021,183	8,782,900	14,781,739	15,952,413	30,734,152

Notes to the consolidated financial statements (continued)

32 Summary of financial assets and liabilities by category

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

	31 Dec. 2012 KD	31 Dec. 2011 KD
Financial assets:		
Cash and cash equivalents	8,313,149	5,809,017
Instalments credit debtors	23,120,497	37,768,137
Investments at fair value through statement of income	7,626,053	7,369,584
Held to maturity investment	283,050	-
Accounts receivable and other assets	5,029,118	5,423,582
Due from related parties	802,053	79,736
Available for sale investments	51,795,829	49,644,719
Total	96,969,749	106,094,775
Financial liabilities:		
Due to banks	2,519,280	4,610,311
Accounts payable and other liabilities	6,567,527	7,544,902
Due to related parties	2,222,582	1,478,866
Term loans	1,706,800	4,251,882
Murabaha payable	8,400,000	10,000,000
Provision for end of service indemnity	495,654	1,270,230
Total	21,911,843	29,156,191

Fair value represents amounts at which an asset could be exchanged or a liability settled on an arm's length basis. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in note 16 to these consolidated financial statements, the carrying amounts of financial assets and liabilities as at 31 December 2012 and 2011 approximate their fair values.

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

	31 December 2012		31 December 2011	
	Fair value KD	Carrying amount KD	Fair value KD	Carrying amount KD
Financial assets:				
Cash and cash equivalents	-	8,313,149	-	5,809,017
Installments credit debtors	-	23,120,497	-	37,768,137
Investments at fair value through statement of income	7,626,053	-	7,369,584	-
Held to maturity investment	-	283,050	-	-
Accounts receivable and other assets	-	5,029,118	-	5,423,582
Due from related parties	-	802,053	-	79,736
Available for sale investments	40,806,144	10,989,685	42,694,549	6,950,170
	48,432,197	48,537,552	50,064,133	56,030,642
Financial liabilities:				
Due to banks	-	2,519,280	-	4,610,311
Accounts payable and other liabilities	-	6,567,527	-	7,544,902
Due to related parties	-	2,222,582	-	1,478,866
Term loans	-	1,706,800	-	4,251,882
Murabaha payable	-	8,400,000	-	10,000,000
Provision for staff indemnity	-	495,654	-	1,270,230
	-	21,911,843	-	29,156,191

Notes to the consolidated financial statements (continued)

32 Summary of financial assets and liabilities by category (continued)

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include 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 consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2012

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income:				
Quoted securities	7,626,053	-	-	7,626,053
Available for sale investments:				
Quoted securities	25,812,354	-	-	25,812,354
Unquoted securities	-	-	14,773,511	14,773,511
Managed funds	-	220,279	-	220,279
	33,438,407	220,279	14,773,511	48,432,197

31 December 2011

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income:				
Quoted securities	7,369,584	-	-	7,369,584
Available for sale investments:				
Quoted securities	31,290,275	-	-	31,290,275
Unquoted securities	-	-	10,379,625	10,379,625
Managed funds	-	1,024,649	-	1,024,649
	38,659,859	1,024,649	10,379,625	50,064,133

There have been no transfers between levels during the reporting period.

Notes to the consolidate financial statement (continued)

32 Summary of financial assets and liabilities by category (continued)

Fair value measurements

The group 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:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Opening balance	10,379,625	10,000,000
Change in fair value	922,886	379,625
Additions during the year:		
- Purchases	3,471,000	-
Closing balance	14,773,511	10,379,625

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted Securities

All the listed equity securities are publicly traded on a recognised stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

b) Managed funds

The underlying investments of managed funds primarily comprise of quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by fund managers. All significant inputs into the model are based on observable market prices

c) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, and market multiples which includes some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

33 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The group has a set of policies and procedures, which are approved by the parent company's Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management.

Notes to the consolidate financial statement (continued)

34 Capital risk management

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimisation of the capital structure.

The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the group consists of the following:

	31 Dec. 2012 KD	31 Dec. 2011 KD
Due to banks (note 20)	**2,519,280**	4,610,311
Term loans (note 22)	**1,706,800**	4,251,882
Murabaha payable (note 23)	**8,400,000**	10,000,000
Less: Cash and cash equivalents (note 11)	**(8,313,149)**	(5,809,017)
Net debt	**4,312,931**	13,053,176
Equity	**113,503,526**	113,282,490
Net debt to equity ratio	**3.80%**	11.52%