

**International Finance Company KSC (Closed)
and its subsidiaries
State of Kuwait**

**Interim condensed consolidated financial information (Unaudited) and
review report for the three months ended 31 March 2012**

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

**Interim condensed consolidated financial information (Unaudited) and review report
for the three months ended 31 March 2012**

Contents

| | |
|---|------|
| Review report on the interim condensed consolidated financial information | 1 |
| Interim condensed consolidated statement of financial position (Unaudited) | 2 |
| Interim condensed consolidated statement of income (Unaudited) | 3 |
| Interim condensed consolidated statement of comprehensive income (Unaudited) | 4 |
| Interim condensed consolidated statement of changes in equity (Unaudited) | 5 |
| Interim condensed consolidated statement of cash flows (Unaudited) | 6 |
| Notes to the interim condensed consolidated financial information (Unaudited) | 7-15 |



Al Johara Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait
Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

Al-Qatami, Al-Aiban & Partners
Auditors & Consultants
Souq Al Kabeer Building - Block A - 9th Floor
Tel : (965) 244 3900-9
Fax: (965) 243 8451
P.O.Box 2986, Safat 13030
Kuwait
E-mail: gt@gtkuwait.com

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of International Finance Company KSC (Closed) (the parent company) and its subsidiaries (together referred to as the group) as of 31 March 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The parent company management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in note (2). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects; in accordance with the basis of presentation set out in note (2).

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960 or of the articles of association of the parent company, as amended, have occurred during the three-month period ended 31 March 2012 that might have had a material effect on the business or financial position of the group.

We further report that, during the course of our review, we have not become aware of any material violations during the three-month period ended 31 March 2012 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.

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

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

Kuwait: 25 April 2012

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Interim condensed consolidated statement of financial position (Unaudited)

As at March 2012

| | Notes | 31 March 2012 KD | 31 December 2011 (Audited) KD | 31 March 2011 KD |
|---|-------|------------------------|--|------------------------|
| Assets | | | | |
| Cash and cash equivalents | 5 | 5,723,574 | 5,809,017 | 2,962,609 |
| Installment credit debtors | 6 | 34,619,666 | 37,768,137 | 44,754,271 |
| Investments at fair value through statement of income | 7 | 8,040,299 | 7,369,584 | 12,905,933 |
| Accounts receivable and other assets | | 3,515,725 | 5,423,582 | 1,138,080 |
| Due from related parties | 19 | 79,319 | 79,736 | - |
| Properties held for trading | | 3,144,187 | 3,251,332 | 2,485,612 |
| Available for sale investments | 8 | 50,874,303 | 49,644,719 | 21,194,351 |
| Investment in associates | 9 | 28,341,603 | 28,265,624 | - |
| Property and equipment | | 4,877,841 | 4,925,659 | 4,915,996 |
| Total assets | | 139,216,517 | 142,537,390 | 90,356,852 |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Due to banks | 10 | 2,509,188 | 4,610,311 | 1,936,573 |
| Accounts payable and other liabilities | | 6,962,331 | 7,544,902 | 2,418,354 |
| Due to related parties | 19 | 1,390,511 | 1,478,866 | - |
| Term loans | 11 | 3,546,257 | 4,251,882 | 9,795,473 |
| Murabaha payable | 12 | 9,200,000 | 10,000,000 | - |
| Provision for staff indemnity | | 598,596 | 1,270,230 | 919,915 |
| Total liabilities | | 24,206,883 | 29,156,191 | 15,070,315 |
| Equity | | | | |
| Share capital | 13 | 80,288,257 | 80,288,257 | 46,571,564 |
| Share premium | 13 | 32,950,027 | 32,950,027 | 22,661,854 |
| Treasury shares | 14 | (1,432,303) | (1,432,303) | (246,770) |
| Treasury shares reserve | | 157,713 | 157,713 | 157,713 |
| Statutory reserve | | 7,087,901 | 7,087,901 | 7,087,901 |
| Voluntary reserve | | 501,900 | 501,900 | 6,755,063 |
| Foreign currencies translation reserve | | (240,747) | (240,008) | (145,585) |
| Cumulative changes in fair value | | 9,362,901 | 7,978,617 | 725,361 |
| Accumulated losses | | (14,612,680) | (15,003,587) | (8,280,564) |
| Equity attributable to owners of the parent | | 114,062,969 | 112,288,517 | 75,286,537 |
| Non controlling interests | | 946,665 | 1,092,682 | - |
| Total equity | | 115,009,634 | 113,381,199 | 75,286,537 |
| Total liabilities and equity | | 139,216,517 | 142,537,390 | 90,356,852 |

The notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information


Jassim Hassan Zainal
 Chairman and Managing Director

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Interim condensed consolidated statement of income (Unaudited)
For the three months ended 31 March 2012

| | Note | Three months period ended | |
|---|------|---------------------------|--------------------|
| | | 31 March | |
| | | 2012 | 2011 |
| | | KD | KD |
| Income | | | |
| Income from installment credit | | 717,573 | 642,522 |
| Rental income | | 18,199 | 28,753 |
| Interest income | | 46,464 | 8,367 |
| (Loss) on sale of investments at fair value through statement of income | | - | (4,129) |
| Change in fair value of investments at fair value through statement of income | | 576,831 | (2,500,785) |
| (Loss) on sale of available for sale investments | | (1,095) | (24,419) |
| (Loss) / gain on foreign currency exchange | | (5,509) | 87,150 |
| Gain from sale of properties held for trading | | 60,811 | - |
| Share of results of associates | | 75,979 | - |
| Dividend income | | 236,185 | 523,090 |
| Other income | | 118,008 | - |
| | | <u>1,843,446</u> | <u>(1,239,451)</u> |
| Expenses and other charges | | | |
| Staff costs | | (330,666) | (268,049) |
| General and administrative expenses | | (275,206) | (120,291) |
| Finance costs | | (380,308) | (357,840) |
| Provision for instalment credit debtors | 6 | (13,734) | - |
| Provision for doubtful debts | | (470,781) | - |
| Depreciation | | (48,871) | (41,770) |
| Impairment of available for sale investments | | (75,949) | - |
| | | <u>(1,595,515)</u> | <u>(787,950)</u> |
| Profit / (loss) for the period | | <u>247,931</u> | <u>(2,027,401)</u> |
| Attributable to: | | | |
| Owners of the parent | | 390,907 | (2,027,401) |
| Non controlling interests | | (142,976) | - |
| | | <u>247,931</u> | <u>(2,027,401)</u> |
| Earning / (loss) per share (basic and diluted) (Fils) | 7 | <u>0.49</u> | <u>(4.36)</u> |

The notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Interim condensed consolidated statement of comprehensive income (Unaudited)

For the three months ended 31 March 2012

| | Three months ended 31 March | |
|--|--|--------------------|
| | 2012 | 2011 |
| | KD | KD |
| Profit / (loss) for the period | <u>247,931</u> | <u>(2,027,401)</u> |
| Other comprehensive income: | | |
| Available for sale investments: | | |
| - Change in fair value | 1,303,039 | (566,943) |
| - Impairment in value | 75,949 | - |
| - Transferred to statement of income on sale | 5,296 | - |
| Exchange difference arising on translation of foreign operations | <u>(3,780)</u> | <u>-</u> |
| Total other comprehensive expenses | <u>1,380,504</u> | <u>(566,943)</u> |
| Total comprehensive income / (expense) for the period | <u>1,628,435</u> | <u>(2,594,344)</u> |
| Attributable to: | | |
| Owners of the parent | 1,774,452 | (2,594,344) |
| Non controlling interests | <u>(146,017)</u> | <u>-</u> |
| | <u>1,628,435</u> | <u>(2,594,344)</u> |

The notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information

International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of changes in equity (Unaudited)

For the three months ended 31 March 2012

| | Equity attributable to the owners of the parent | | | | | | | | | | | |
|---|---|---------------|-----------------|-----------------|---------------|-------------------|--|----------------------------------|--------------------|-------------|---------------------------|-------------|
| | Share capital | Share premium | Treasury shares | Treasury shares | Legal reserve | Voluntary reserve | Foreign currencies translation reserve | Cumulative changes in fair value | Accumulated losses | Sub Total | Non controlling interests | Total |
| | KD | KD | KD | KD | KD | KD | KD | KD | KD | KD | KD | KD |
| Balance at 1 January 2012 | 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 |
| Profit for the period | - | - | - | - | - | - | - | - | 390,907 | 390,907 | (142,976) | 247,931 |
| Net change in fair value | - | - | - | - | - | - | - | 1,384,284 | - | 1,384,284 | - | 1,384,284 |
| Exchange difference arising on translation of foreign operation | - | - | - | - | - | - | (739) | - | - | (739) | (3,041) | (3,780) |
| Other comprehensive income / (expense) | - | - | - | - | - | - | (739) | 1,384,284 | - | 1,383,545 | (3,041) | 1,380,504 |
| Total comprehensive income / (loss) for the period | - | - | - | - | - | - | (739) | 1,384,284 | 390,907 | 1,774,452 | (146,017) | 1,628,435 |
| Balances at 31 March 2012 | 80,288,257 | 32,950,027 | (1,432,303) | 157,713 | 7,087,901 | 501,900 | (240,747) | 9,362,901 | (146,126,80) | 114,062,969 | 946,665 | 115,009,634 |
| 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 | - | 77,880,801 |
| Loss for the period | - | - | - | - | - | - | - | - | (2,027,401) | (2,027,401) | - | (2,027,401) |
| Net change in fair value | - | - | - | - | - | - | - | (566,943) | - | (566,943) | - | (566,943) |
| Other comprehensive expense | - | - | - | - | - | - | - | (566,943) | - | (566,943) | - | (566,943) |
| Total comprehensive loss for the period | - | - | - | - | - | - | - | (566,943) | (2,027,401) | (2,594,344) | - | (2,594,344) |
| Balances at 31 March 2011 | 46,571,564 | 22,661,854 | (246,770) | 157,713 | 7,087,901 | 6,755,063 | (145,585) | 725,361 | (8,280,564) | 75,286,537 | - | 75,286,537 |

The notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Interim condensed consolidated statement of cash flows (Unaudited)

For the three months ended 31 March 2012

| | Note | Three months ended | |
|---|------|--------------------|--------------------|
| | | 31 March | |
| | | 2012 | 2011 |
| | | KD | KD |
| OPERATING ACTIVITIES | | | |
| Profit / (loss) for the period | | 247,931 | (2,027,401) |
| Adjustments: | | | |
| Interest income | | (46,464) | (8,367) |
| Loss on sale of investments at fair value through statement of income | | - | 4,129 |
| Dividend income | | (236,185) | (523,090) |
| Change in fair value on investments at fair value through statement of income | | (576,831) | 2,500,785 |
| Loss on sale from available for sale investments | | 1,095 | 24,419 |
| Impairment of available for sale investments | | 75,949 | - |
| Gain from sale of properties held for trading | | (60,811) | - |
| Share of results of associates | | (75,979) | - |
| Provision for installment credit debtors | | 13,734 | - |
| Provision for doubtful debts | | 470,781 | - |
| Depreciation | | 48,871 | 41,770 |
| Finance cost | | 380,308 | - |
| | | 242,399 | 12,245 |
| Provision for staff indemnity paid | | (671,631) | (12,423) |
| | | (429,232) | (178) |
| Changes in operating assets and liabilities: | | | |
| Installment credit debtors | | 3,129,857 | 5,106,019 |
| Accounts receivable and other assets | | 1,436,315 | 92,862 |
| Due from / to related parties | | (87,939) | - |
| Accounts payable and other liabilities | | (582,571) | (107,997) |
| Net cash from operating activities | | 3,466,430 | 5,090,706 |
| INVESTING ACTIVITIES | | | |
| Net purchase of property and equipment | | (1,950) | (573) |
| Purchase of investments at fair value through statement of income | | (94,914) | (67,245) |
| Proceeds from sale of investments at fair value through statement of income | | - | 259,273 |
| Proceeds from sale of properties held for trading | | 171,743 | - |
| Purchase of available for sale investments | | (43,727) | (8,152) |
| Proceeds from sale of available for sale investments | | 121,382 | - |
| Dividends income received | | 236,185 | 523,090 |
| Interest income received | | 46,464 | 8,367 |
| Net cash from investing activities | | 435,183 | 714,760 |
| FINANCING ACTIVITIES | | | |
| Net change in due to banks | | (2,101,123) | (71,830) |
| Repayment of term loans | | (705,625) | (2,679,271) |
| Repayment of Murabaha payable | | (800,000) | - |
| Repayment of bonds issued | | - | (5,500,000) |
| Finance cost paid | | (380,308) | - |
| Net cash used in financing activities | | (3,987,056) | (8,251,101) |
| Net decrease in cash and cash equivalents | | (85,443) | (2,445,635) |
| Cash and cash equivalents at beginning of the period | 5 | 5,809,017 | 5,408,244 |
| Cash and cash equivalents at end of the period | 5 | 5,723,574 | 2,962,609 |

The notes on pages 7 to 15 form an integral part of this interim condensed consolidated financial information

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated statement of financial information (Unaudited)
For the three months ended 31 March 2012

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 Murabaha Company – KSC (Closed). 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 Market Authority.

The group comprises the parent company and its subsidiaries (note 4).

The principal activities of the parent company are the granting of consumer instalment credit facilities and investment.

The board of directors approved this interim condensed consolidated financial information for the period ended 31 March 2012 for issue on 25 April 2012.

2. Basis of presentation

The interim condensed consolidated financial information of the group for the three month period ended 31 March 2012 has been prepared in accordance with IAS 34, Interim Financial Reporting, except for regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK) as noted below.

These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBKs requirement for a minimum general provision. The impairment provision for loans and advances complies in all material respects with the specific provision requirements of the CBK and IFRS. According to the CBK requirements the basis of making general provisions on facilities at the rate of 1% for cash facilities and 0.5% for non cash facilities.

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

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

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

Operating results for the interim period are not indicative of the results that may be expected for the year ending 31 December 2012. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2011.

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

**Notes to the interim condensed consolidated statement of financial information (Unaudited)
For the three months ended 31 March 2012**

3. Judgment and estimates

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

4. Subsidiaries companies

| Company name | Ownership percentage | | Place of incorporation | Acquisition date | Activity | Reporting date |
|---|----------------------|------|------------------------|------------------|---|----------------|
| | 2012 | 2011 | | | | |
| Al-Addan Real Estate Co. – WLL | 100% | 100% | Kuwait | 2002 | Trading in all real estate activities. | March 2012 |
| International Finance Company – SAL | 100% | 100% | Lebanon | 2006 | Finance services including financing, management and brokerage. | December 2011 |
| Al-Addan International for Collection Co. – WLL | 100% | 100% | Kuwait | 2007 | Trading in real estate activities and collect the money on behalf of other. | March 2012 |
| Kuwait Invest Real Estate Co. – WLL | 100% | - | Kuwait | 2011 | Real estate services | December 2011 |
| Saudi Invest Real Estate Invest Co. – WLL | 100% | - | K.S.A | 2011 | Real estate services | December 2011 |
| Lot 67 Zimbali South Africa Investments (Pty) Ltd | 100% | - | South Africa | 2011 | Investments Activities | December 2011 |
| IFA Securities Brokerage Co.- SAE | 74.67% | - | Egypt | 2011 | Brokerage services | December 2011 |
| International Financial Advisers Company – WLL | 65.2% | - | Jordan | 2011 | Brokerage services | December 2011 |

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated statement of financial information (Unaudited)
For the three months ended 31 March 2012

5. Cash and cash equivalents

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|-------------------------------------|--------------------------|---|--------------------------|
| | KD | KD | KD |
| Cash and bank balances | 3,660,255 | 3,743,288 | 994,458 |
| Term deposits – one to three months | 2,063,319 | 2,065,729 | 1,968,151 |
| | <u>5,723,574</u> | <u>5,809,017</u> | <u>2,962,609</u> |

The term deposits carry effective interest of 6.25% (31 December 2011: 6.25% and 31 March 2011: 6.4 %)

6. Installment credit debtors

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|----------------------------------|--------------------------|---|--------------------------|
| | KD | KD | KD |
| Gross installment credit debtors | 54,105,351 | 57,346,755 | 58,885,934 |
| Deferred income | (1,445,111) | (1,557,422) | (2,507,580) |
| | 52,660,240 | 55,789,333 | 56,378,354 |
| Specific provision | (17,065,472) | (17,063,718) | (11,107,811) |
| General provision | (975,102) | (957,478) | (516,272) |
| | <u>34,619,666</u> | <u>37,768,137</u> | <u>44,754,271</u> |

Gross installment credit debtors are repayable as follows:

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|------------------|--------------------------|---|--------------------------|
| | KD | KD | KD |
| Within one year | 42,371,162 | 43,146,038 | 35,004,482 |
| More than a year | 11,734,189 | 14,200,717 | 23,881,452 |
| | <u>54,105,351</u> | <u>57,346,755</u> | <u>58,885,934</u> |

The effective annual interest rate earned on income from installment credit ranged from 5.5% to 9.25% per annum (31 December 2011: 5.5% to 9.25% and 31 March 2011: 6% to 7.25%).

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 installment 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 installment credit debtor is an amount of KD 15,509,231 (31 December 2011: KD 15,224,786 and 31 March 2011: KD 5,892,748) in respect of related parties (note 19).

The gross installment credit debtors include an amount of 1,344,115 (KD 1,560,535 as of 31 December 2011, 31 March 2011: Nil) representing a portfolio of customer loans which have been discounted to a bank according to a debt factoring agreement (note 10).

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated statement of financial information (Unaudited)
For the three months ended 31 March 2012

7. Investments at fair value through statement of income

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|---------------------------------|--------------------------|---|--------------------------|
| | <u>KD</u> | <u>KD</u> | <u>KD</u> |
| Local quoted shares | 1,000,701 | 800,060 | 12,400,163 |
| Foreign quoted shares | 335,444 | 240,530 | 169,620 |
| Investment in managed portfolio | 6,704,152 | 6,324,672 | - |
| Investment in funds | - | - | 336,150 |
| Local unquoted shares | 2 | 4,322 | - |
| | <u>8,040,299</u> | <u>7,369,584</u> | <u>12,905,933</u> |

An investment portfolio with a carrying value of KD 6,704,152 (31 December 2011: KD 6,324,672 and 31 March 2011: Nil) is pledged against term loans and Murabaha (notes 11 and 12).

8. Available for sale investments

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|----------------------------------|--------------------------|---|--------------------------|
| | <u>KD</u> | <u>KD</u> | <u>KD</u> |
| Local quoted shares | 25,757,755 | 22,788,046 | 5,413,534 |
| Unquoted local shares | 11,275,769 | 11,275,769 | 12,109,009 |
| Foreign quoted shares | 173,290 | 140,786 | - |
| Investment in managed portfolios | 3,112,777 | 4,890,443 | - |
| Investment funds | 1,025,200 | 1,024,649 | - |
| Foreign unquoted shares | 9,529,512 | 9,525,026 | 3,671,808 |
| | <u>50,874,303</u> | <u>49,644,719</u> | <u>21,194,351</u> |

The above unquoted investments above include investments with a value of KD 20,800,795 (31 December 2011: KD 20,800,795 and 31 March 2011: 5,390,172) 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 KD 19,495,059 are pledged against term loans, murabha payables and due to banks (notes 10, 11 and 12).

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated statement of financial information (Unaudited)
For the three months ended 31 March 2012

9. Investments in associates

| Name of associate | Country of incorporation | Carrying value | 31 March 2012 | 31 December | | Reporting date |
|------------------------------------|--------------------------|-------------------|---------------|----------------|---------------|------------------|
| | | | | 2011 (Audited) | 31 March 2011 | |
| Offset Holding Co. KSCC | Kuwait | 14,982,233 | 50% | 50% | - | 31 December 2011 |
| Al Wafir Markets Services Co. KSCC | Kuwait | 9,606,542 | 24.80% | 24.80% | - | 31 December 2011 |
| Al Oula Slaughterhouse Co. KSCC | Kuwait | 792,811 | 28.89% | 28.89% | - | 31 December 2011 |
| Gulf Real Estate Co. WLL | Kuwait | 360,017 | 20.13% | 20.13% | - | 31 December 2011 |
| Al Safat House Co. WLL | Kuwait | 2,600,000 | 20% | 20% | - | 31 December 2011 |
| | | <u>28,341,603</u> | | | | |

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|--|-------------------|----------------------------|---------------|
| | KD | KD | KD |
| Opening balance | 28,265,624 | - | - |
| Arising from business combination | - | 26,557,100 | - |
| Reclassification from available for sale investments | - | 1,918,233 | - |
| Impairment of associate | - | (76,367) | - |
| Share of results | 75,979 | (130,184) | - |
| Share of other comprehensive income of associates | - | (3,158) | - |
| | <u>28,341,603</u> | <u>28,265,624</u> | <u>-</u> |

10. Due to banks

This represents credit facilities granted to the group from a local bank in the form of overdrafts. These credit facilities balances carry interest rate of 5% per annum (31 December 2011: 5% and 31 March 2011: 5.5% per annum).

This balance includes an amount of KD 1,134,813 due to a bank against the factoring of certain installment credit debtors (Note 6).

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated statement of financial information (Unaudited)

For the three months ended 31 March 2012

11. Term loans

Term loans are repayable to local and foreign banks in different periods and bear interest at annual rates ranging from 4.16% to 8.50% (31 December 2010: 4.16% to 8.5% and 31 March 2011: 4.16% to 6%).

Loans are repayable as follows:

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|-------------------|--------------------------|---|--------------------------|
| | KD | KD | KD |
| Kuwait Dinar Loan | 2,986,900 | 3,413,600 | 4,267,000 |
| US\$ Loan | 559,357 | 838,282 | 5,528,473 |
| | <u>3,546,257</u> | <u>4,251,882</u> | <u>9,795,473</u> |
| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
| | KD | KD | KD |
| Within one year | 2,266,157 | 2,118,382 | 6,808,573 |
| After one year | 1,280,100 | 2,133,500 | 2,986,900 |
| | <u>3,546,257</u> | <u>4,251,882</u> | <u>9,795,473</u> |

Loans are all denominated in Kuwaiti Dinars and US Dollars and are secured by the assignment of installment credit contracts and pledge of investment at fair value through statement of income, available for sale investments and property and equipment (notes 7 and 8).

12. Murabaha payable

Islamic financing obtained from local financial institution, carrying an effective profit rate of 4% (31 December 2011: 4% and 31 March 2011: Nil%). This financing is secured by way of mortgage of certain investments at fair value through statement of income and available for sale investments (notes 7 and 8).

Murabaha payables are as follows:

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|-----------------|--------------------------|---|--------------------------|
| | KD | KD | KD |
| Within one year | 1,600,000 | 1,600,000 | - |
| After one year | 7,600,000 | 8,400,000 | - |
| | <u>9,200,000</u> | <u>10,000,000</u> | <u>-</u> |

13. Share capital and share premium

The authorized, issued and paid up share capital of the parent company consists of 802,882,556 (31 December 2011: 802,882,556 and 31 March 2011: 465,715,640) shares of 100 fils each all shares are in cash and in kind.

The share premium is non distributable.

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated statement of financial information (Unaudited)
For the three months ended 31 March 2012

14. Treasury shares

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|-----------------------------|--------------------------|---|--------------------------|
| | KD | KD | KD |
| Number of treasury shares | 6,394,305 | 6,394,305 | 868,355 |
| Percentage of share capital | 0.796% | 0.796% | 0.185 |
| Market value (KD) | 633,026 | 652,219 | 211,879 |
| Cost (KD) | 1,432,303 | 1,432,303 | 246,770 |

15. Earnings / (loss) per share (basic and diluted)

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

The Parent Company had no outstanding dilutive potential shares.

| | Three months ended 31 March | |
|---|------------------------------------|---------------|
| | 2012 | 2011 |
| Profit / (loss) for the period – KD | 390,907 | (2,027,401) |
| Weighted average number of shares issued (excluding treasury shares) – Shares | 796,488,251 | 464,852,673 |
| Earnings / (loss) per share – Fils (basic and diluted) | 0.49 | (4.36) |

16. Fiduciary accounts

Investment portfolios managed by the group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the group's assets or liabilities and accordingly are not included in the interim condensed consolidated financial position. Total fiduciary assets as at the financial position date were KD 2,553,673 (31 December 2011: KD 2,242,079 and 31 March 2011: KD 3,183,716).

17. Segmental information

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 company operates in four business segments; instalment credit, investment, real estate and brokerage. The segmental analysis of total income and net profit for the business segments are as follows:

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated statement of financial information (Unaudited)
For the three months ended 31 March 2012

17. Segmental information (continued)

| | <u>Installment credit</u> KD | <u>Investments</u> KD | <u>Real estate investment</u> KD | <u>Brokerage</u> KD | <u>Total</u> KD |
|--|-------------------------------------|--------------------------|---|------------------------|--------------------|
| Three months ended at 31 March 2012 | | | | | |
| Total income | 717,573 | 925,086 | 79,010 | 51,658 | 1,773,327 |
| Profit / (loss) for the period | 158,191 | 567,670 | 79,010 | (556,940) | 247,931 |
| Total assets | 43,956,298 | 69,673,973 | 5,744,187 | 19,842,059 | 139,216,517 |
| Total liabilities | 6,919,010 | 15,058,561 | - | 2,229,312 | 24,206,883 |
| Net assets | 37,037,288 | 54,615,412 | 5,744,187 | 17,612,747 | 115,009,634 |
| | <u>Installment credit</u> KD | <u>Investments</u> KD | <u>Real estate investment</u> KD | <u>Brokerage</u> KD | <u>Total</u> KD |
| Three months ended at 31 March 2011 | | | | | |
| Total income / (losses) | 642,522 | (1,997,876) | 28,753 | - | (1,326,601) |
| Profit / (loss) for the period | 77,067 | (2,133,221) | 28,753 | - | (2,027,401) |
| Total assets | 53,770,956 | 34,100,284 | 2,485,612 | - | 90,356,852 |
| Total liabilities | 15,070,315 | - | - | - | 15,070,315 |
| Net assets | 38,700,641 | 34,100,284 | 2,485,612 | - | 75,286,537 |

18. The general assembly of shareholders

The general assembly of shareholders has not convened to up to the date of issuing this interim condensed consolidated financial information to approve the consolidated financial statements for the year ended 31 December 2011.

19. Related party transactions

These represent transactions with certain related parties (directors and executive officers of the group and their related concerns) entered into by the group in the ordinary course of business and are as follows:

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

**International Finance Company KSC (Closed) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated statement of financial information (Unaudited)
For the three months ended 31 March 2012

19. Related party transactions (continued)

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

| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
|---|--------------------------|---|--------------------------|
| | KD | KD | KD |
| Consolidated statement of financial position | | | |
| Instalment credit debtors (Note 6) | 15,509,231 | 15,224,786 | 5,892,748 |
| Due from related parties | 79,319 | 79,736 | - |
| Due to shareholders | 1,596,459 | 2,356,669 | - |
| Due to related parties | 1,390,511 | 1,478,866 | - |
| | 31 March 2012 | 31 December 2011 (Audited) | 31 March 2011 |
| | KD | KD | KD |
| Consolidated statement of income | | | |
| Interest from instalment credit debtors | 284,443 | 743,872 | 49,425 |
| Salaries and other short term benefits | 45,937 | 263,543 | 44,698 |
| Employee end of service benefits | 4,179 | 270,824 | 2,870 |

20. Financial risk management

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