Interim condensed consolidated financial information and review report

International Finance Company – KSC (Closed)

and its Subsidiaries

Kuwait

31 March 2013 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of International Finance Company (A Kuwaiti Closed Shareholding Company) (the "parent company") and its subsidiaries (together the "group") as of 31 March 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

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

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

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 Companies Law No. 25 of 2012 or of the articles of association of the parent company, as amended, have occurred during the three-month period ended 31 March 2013 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 2013 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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Kuwait
1 May 2013

Interim condensed consolidated statement of income

	Notes	Three months ended 31 March 2013 (Unaudited) KD	Three months ended 31 March 2012 (Unaudited) KD
Revenue			
Income from instalment credit debtors		**509,025**	717,573
Rental income		**30,440**	18,199
Interest income		**108,003**	46,464
Profit on sale of investments at fair value through statement of income		**34,791**	-
Change in fair value of investments at fair value through statement of income		**(295,772)**	576,831
Profit/(loss) on sale of available for sale investments		**1,158,937**	(1,095)
Profit on sale of properties held for trading		**-**	60,811
Share of results of associates	10	**(105,244)**	75,979
Profit on sale of investment in associate		**184,625**	-
Dividend income		**399,331**	236,185
Brokerage income		**49,712**	91,674
Loss on foreign currency exchange		**(73,987)**	(5,509)
Other income		**78,792**	26,334
		2,078,653	1,843,446
Expenses and other charges			
Staff costs		**(380,488)**	(330,666)
General and administrative expenses		**(422,183)**	(275,206)
Finance costs		**(257,366)**	(380,308)
Provision for instalment credit debtors		**-**	(13,734)
Provision for doubtful debts		**-**	(470,781)
Depreciation		**(42,849)**	(48,871)
Impairment of available for sale investments	9	**(380,702)**	(75,949)
		(1,483,588)	(1,595,515)
Profit for the period before provisions for contribution to National Labour Support Tax and Zakat		**595,065**	247,931
Provision for National Labour Support Tax		**(16,524)**	-
Provision for Zakat		**(1,318)**	-
Profit for the period		**577,223**	247,931
Attributable to:			
Owners of the parent company		**575,546**	390,907
Non-controlling interests		**1,677**	(142,976)
		577,223	247,931
Basic and diluted earnings per share attributable to the owners of the parent company (Fils)	5	**0.723**	0.491

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2013 (Unaudited) KD	Three months ended 31 March 2012 (Unaudited) KD
Profit for the period	**577,223**	247,931
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to statement of income		
Exchange differences arising on translation of foreign operations	**47,945**	(3,780)
Available for sale investments:		
- Net change in fair value	**(1,564,611)**	1,303,039
- Transferred to consolidated statement of income on sale	**(247,810)**	5,296
- Transferred to consolidated statement of income on impairment	**380,702**	75,949
Total other comprehensive (loss)/income for the period	**(1,383,774)**	1,380,504
Total comprehensive (loss)/income for the period	**(806,551)**	1,628,435
Attributable to:		
Owners of the parent company	**(802,089)**	1,774,452
Non-controlling interests	**(4,462)**	(146,017)
	(806,551)	1,628,435

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	31 March 2013 (Unaudited)	31 Dec. 2012 (Audited)	(Restated) 31 March 2012 (Unaudited)
		KD	KD	KD
Assets				
Cash and cash equivalents	6	**8,341,404**	8,313,149	5,723,574
Instalment credit debtors	7	**21,326,058**	23,120,497	34,619,666
Investments at fair value through statement of income	8	**7,500,397**	7,626,053	8,040,299
Accounts receivable and other assets		**4,716,555**	5,029,118	3,515,725
Due from related parties	18	**1,425,153**	802,053	79,319
Properties held for trading		**3,236,722**	3,236,722	3,144,187
Available for sale investments	9	**57,659,061**	51,795,829	50,874,303
Held to maturity investment		**283,050**	283,050	-
Investment in associates	10	**27,955,461**	30,410,412	28,242,894
Investment property		**1,994,483**	2,009,247	2,053,546
Property and equipment		**2,762,166**	2,789,239	2,824,295
Total assets		**137,200,510**	135,415,369	139,117,808
Liabilities and equity				
Liabilities				
Due to banks	11	**1,835,840**	2,519,280	2,509,188
Accounts payable and other liabilities		**6,267,204**	6,567,527	6,962,331
Due to related parties	18	**6,957,179**	2,222,582	1,390,511
Term loans	12	**1,280,100**	1,706,800	3,546,257
Murabaha payable	13	**7,600,000**	8,400,000	9,200,000
Provision for end of service indemnity		**563,212**	495,654	598,596
Total liabilities		**24,503,535**	21,911,843	24,206,883
Equity				
Share capital		**80,288,257**	80,288,257	80,288,257
Share premium		**32,950,027**	32,950,027	32,950,027
Treasury shares	14	**(931,786)**	(931,786)	(1,432,303)
Treasury shares reserve		**-**	-	157,713
Legal reserve		**7,087,901**	7,087,901	7,087,901
Voluntary reserve		**151,824**	151,824	501,900
Foreign currency translation reserve		**(135,494)**	(189,578)	(240,747)
Fair value reserve		**7,183,868**	8,615,587	9,362,901
Accumulated losses		**(14,505,946)**	(15,081,492)	(14,711,389)
Total equity attributable to the owners of the parent company		**112,088,651**	112,890,740	113,964,260
Non-controlling interests		**608,324**	612,786	946,665
Total equity		**112,696,975**	113,503,526	114,910,925
Total liabilities and equity		**137,200,510**	135,415,369	139,117,808

Jassim Hassan Zainal
Chairman and Managing Director

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the parent company										
	Share capital KD	Share premium KD	Treasury shares 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 2013 (audited)	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
Profit for the period	-	-	-	-	-	-	-	575,546	575,546	1,677	577,223
Other comprehensive income/(loss):											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	54,084	-	-	54,084	(6,139)	47,945
Available for sale investments:											
- Net change in fair value	-	-	-	-	-	-	(1,564,611)	-	(1,564,611)	-	(1,564,611)
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	(247,810)	-	(247,810)	-	(247,810)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	380,702	-	380,702	-	380,702
Total comprehensive income/(loss) for the period	-	-	-	-	-	54,084	(1,431,719)	575,546	(802,089)	(4,462)	(806,551)
Balance at 31 March 2013 (unaudited)	**80,288,257**	**32,950,027**	**(931,786)**	**7,087,901**	**151,824**	**(135,494)**	**7,183,868**	**(14,505,946)**	**112,088,651**	**608,324**	**112,696,975**

Interim condensed 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 2012 (as previously reported) (audited)	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 21a)	-	-	-	-	-	-	-	-	(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 period	-	-	-	-	-	-	-	-	390,907	390,907	(142,976)	247,931
Other comprehensive (loss)/ income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(739)	-	-	(739)	(3,041)	(3,780)
Available for sale investments:												
- Net change in fair value	-	-	-	-	-	-	-	1,303,039	-	1,303,039	-	1,303,039
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	-	5,296	-	5,296	-	5,296
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	-	75,949	-	75,949	-	75,949
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(739)	1,384,284	390,907	1,774,452	(146,017)	1,628,435
Balances at 31 March 2012 (unaudited)	80,288,257	32,950,027	(1,432,303)	157,713	7,087,901	501,900	(240,747)	9,362,901	(14,711,389)	113,964,260	946,665	114,910,925

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Notes	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2012 (Unaudited)
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		577,223	247,931
Adjustments:			
Interest income		(108,003)	(46,464)
Dividend income		(399,331)	(236,185)
(Profit)/loss on sale of available for sale investments		(1,158,937)	1,095
Profit on sale of investment in associate		(184,625)	-
Impairment of available for sale investments	9	380,702	75,949
Profit on sale of properties held for trading		-	(60,811)
Share of results of associates	10	105,244	(75,979)
Provision for installment credit debtors		-	13,734
Provision for doubtful debts		-	470,781
Depreciation		42,849	48,871
Finance costs		257,366	380,308
Net provision for staff indemnity		67,558	(671,631)
		(419,954)	147,599
Changes in operating assets and liabilities:			
Instalment credit debtors		1,794,439	3,109,911
Investment at fair value through statement of income		125,656	(671,745)
Accounts receivable and other assets		312,563	1,436,315
Due from / to related parties		5,335,244	(87,939)
Accounts payable and other liabilities		(300,323)	(582,571)
Net cash from operating activities		6,847,625	3,351,570
INVESTING ACTIVITIES			
Net purchase of property and equipment		(7,911)	(1,950)
Purchase of investment in associate	10	(31,131)	-
Proceeds from sale of investment in associate		1,322,188	-
Proceeds from sale of properties held for trading		-	171,743
Purchase of available for sale investments		(9,848,875)	(43,727)
Proceeds from sale of available for sale investments		3,338,648	121,382
Dividends income received		399,331	236,185
Dividend received from associate	10	19,525	-
Interest income received		108,003	46,464
Net cash (used in)/from investing activities		(4,700,222)	530,097
FINANCING ACTIVITIES			
Net change in due to banks		(683,440)	(2,101,123)
Repayment of term loans		(426,700)	(705,625)
Repayment of murabaha payable		(800,000)	(800,000)
Finance costs paid		(257,366)	(380,308)
Net cash used in financing activities		(2,167,506)	(3,987,056)
Net decrease in cash and cash equivalents		(20,103)	(105,389)
Foreign currency adjustment		48,358	19,946
Cash and cash equivalents at beginning of the period	6	8,313,149	5,809,017
Cash and cash equivalents at end of the period	6	8,341,404	5,723,574

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (Unaudited)

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

In accordance with Law No. 97 of 2013 amending certain articles of the Amiri Decree Law No. 25 of 2012 regarding the issuance of the Companies Law, all existing companies are required to comply with the new companies Law in accordance with the rules and regulations stipulated in the Executive By-Laws due to be issued by the Minister of Commerce and Industry within six months from the date of issuance of the Law No. 97 in the official gazette on 27 March 2013. Further, all other supervisory bodies are required to issue their respective regulations within this time frame.

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

The board of directors approved this interim condensed consolidated financial information for the three month period ended 31 March 2013 for issue on 1 May 2013.

2 Basis of presentation

The interim condensed consolidated financial information of the group for the three month period ended 31 March 2013 has been prepared in accordance with IAS 34, Interim Financial Reporting, except for regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK) as noted below.

These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision. 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 2012, except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

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

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 management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

2 Basis of presentation (continued)

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

3 Changes in accounting policies

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

3.1 Adoption of new IASB Standards and amendments during the period

The group has adopted the following new and amended IFRS during the period:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 19 Employee Benefits	1 January 2013
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 Ventures	1 January 2013
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
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
Annual Improvements 2009-2011	1 January 2013

3.1.1 IAS 1 Presentation of Financial Statements- amendment

The group has adopted the amendment to IAS 1 which requires entities to group other comprehensive income items presented in the interim condensed consolidated statement of comprehensive income based on those:

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

3.1.2 IAS 19 Employee Benefits (Revised)

The numerous amendments to IAS 19 have been issued by IASB and range from fundamental changes such as removing the corridor approach and the concept of expected returns on plan assets to simple clarifications and re-wordings.

The adoption of amendments did not have any significant impact on the financial position or performance of the group.

3.1.3 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.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

3 Changes in accounting policies (continued)

3.1 Adoption of new IASB Standards and amendments during the period (continued)

3.1.4 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.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

3.1.5 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.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

3.1.6 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.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

3.1.7 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 did not have any significant impact on the financial position or performance of the group.

3.1.8 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 required disclosures should be provided retrospectively.

The adoption of this standard did not have any significant impact on the financial position or performance of the group.

3.1.9 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:

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

3 Changes in accounting policies (continued)

3.1 Adoption of new IASB Standards and amendments during the period (continued)

3.1.9 Annual Improvements 2009-2011 (continued)

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.

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 adoption of the above amendments 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 this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Management is yet to determine 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 32 Financial Instruments: Presentation – amendments	1 January 2014
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

3.2.1 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.

3.2.2 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.

4 Judgement and estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

5 Basic and diluted earnings per share attributable to the owners of the parent company

Basic and diluted earnings per share is computed by dividing the profit for the period attributable to the owners of the parent company by the weighted average number of shares outstanding during the period less treasury shares.

The parent company had no outstanding dilutive shares.

	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2012 (Unaudited)
Profit for the period attributable to the owners of the parent company – KD	**575,546**	390,907
Weighted average number of shares issued (excluding treasury shares)	**796,519,107**	796,488,251
Basic and diluted earnings per share attributable to the owners of the parent company (Fils)	**0.723**	0.491

6 Cash and cash equivalents

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Cash and bank balances	**5,663,515**	5,524,357	3,660,255
Term deposits – 1 to 3 months	**2,677,889**	2,788,792	2,063,319
	8,341,404	8,313,149	5,723,574

The term deposits carry effective interest of 6.50% (31 December 2012: 6.50% and 31 March 2012: 6.25%)

7 Instalment credit debtors

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Gross instalment credit debtors	**37,723,953**	39,636,721	54,105,351
Deferred income	**(1,066,849)**	(1,179,136)	(1,445,111)
	36,657,104	38,457,585	52,660,240
Specific provision for doubtful debts	**(14,764,958)**	(14,767,423)	(17,065,472)
General provision for doubtful debts	**(566,088)**	(569,665)	(975,102)
	21,326,058	23,120,497	34,619,666

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

7 Instalment credit debtors (continued)

Gross instalment credit debtors are repayable as follows:

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Within one year	**29,063,980**	30,326,338	42,371,162
More than a year	**8,659,973**	9,310,383	11,734,189
	37,723,953	39,636,721	54,105,351

The effective annual interest rate earned on instalment credit ranged from 3% to 9% per annum (31 December 2012: 3% to 9% and 31 March 2012: 5.5% to 9.25%).

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 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 installment credit debtors is an amount of KD13,568,678 (31 December 2012: KD13,379,803 and 31 March 2012: KD15,509,231) in respect of related parties (note 18). This amount is secured by way of pledge of certain local and foreign shares.

The gross installment credit debtors include an amount of KD590,819 (KD747,059 as of 31 December 2012, 31 March 2012: KD1,344,115) representing a portfolio of customer loans which have been discounted to a bank according to a debt factoring agreement (note 11).

8 Investments at fair value through statement of income

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Local quoted shares	**1,570,445**	1,289,837	1,000,701
Foreign quoted shares	**237,747**	264,531	335,444
Investment in managed portfolios	**5,692,205**	6,071,685	6,704,152
Local unquoted shares	**-**	-	2
	7,500,397	7,626,053	8,040,299

An investment portfolio with a carrying value of KD5,692,205 (31 December 2012: KD6,071,685 and 31 March 2012: KD6,704,152) is pledged against term loans and murabaha payable (notes 12 and 13).

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

9 Available for sale investments

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Local quoted shares	**21,630,751**	23,267,347	25,757,755
Local unquoted shares	**25,125,166**	16,435,138	11,275,769
Foreign quoted shares	**-**	-	173,290
Foreign unquoted shares	**8,194,002**	9,328,058	3,112,777
Investment in managed portfolios	**2,509,098**	2,545,007	1,025,200
Investment funds	**200,044**	220,279	9,529,512
	57,659,061	51,795,829	50,874,303

The unquoted investments include investments with a carrying value of KD9,859,479 (31 December 2012: KD10,989,685 and 31 March 2012: KD20,800,795) 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 investment in managed portfolios with an aggregate carrying value of KD33,398,934 (31 December 2012: KD18,507,181 and 31 March 2012: KD19,495,059) are pledged against due to banks, term loans and murabaha payable (notes 11, 12 and 13).

During the period the group recognised an impairment loss of KD380,702 (31 March 2012: KD75,949) on certain investments. Management has performed an analysis of the underlying investment which indicates that there is no further impairment.

10 Investment in associates

Below is the movement in the investment in associates during the period:

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	(Restated) 31 March 2012 (Unaudited) KD
At 1 January	**30,410,412**	28,166,915	28,166,915
Additions (see a below)	**31,131**	2,347,488	-
Share of results	**(105,244)**	(3,451)	75,979
Restatement adjustment in associate	**-**	(100,540)	-
Reduction of an associate's capital (see b below)	**(1,223,750)**	-	-
Disposals (see c below)	**(1,137,563)**	-	-
Dividends from associates	**(19,525)**	-	-
	27,955,461	30,410,412	28,242,894

a. During the period the group participated in the establishment of Hilltop 2 UK Limited with an amount of KD31,131 representing its 33.79% equity interest in the associate.

b. During the period one of the associates, Offset Holding Company – KSC (Holding), reduced its capital by way of settling the amounts due from shareholders.

c. During the period, the group partly sold its interest in Al-Wafir Marketing Services Company– KSCC for KD1,322,188 resulting into a profit of KD184,625. As a result, the ownership interest in the associate reduced from 29.77% to 26.95%.

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

11 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 2012: 4.5% per annum and 31 March 2012: 5% per annum) and payable on demand. Credit facilities are granted against pledge of available for sale investments (note 9).

This balance also includes an amount of KD440,784 (31 December 2012: KD528,078 and 31 March 2012: KD1,134,813) due to a bank against the factoring of certain instalment credit debtors (note 7).

12 Term loans

Term loans are repayable to local and foreign banks in different periods and bear interest at annual rate 5.5% (31 December 2012 and 31 March 2012: 4.16% to 8.50%).

Loans are repayable as follows:

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Kuwaiti Dinar	1,280,100	1,706,800	2,986,900
US Dollar	-	-	559,357
	1,280,100	1,706,800	3,546,257
Within one year	1,280,100	1,706,800	2,266,157
After one year	-	-	1,280,100
	1,280,100	1,706,800	3,546,257

Loans are secured by the assignment of installment credit contracts and pledge of investments at fair value through statement of income, available for sale investments and property and equipment (notes 8 and 9).

13 Murabaha payable

This represents Islamic financing obtained from a local financial institution, carrying an effective profit rate of 6.00% (31 December 2012: 6.00% and 31 March 2012: 4.00%). 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 8, 9 and 14).

Murabaha payable is due as follows:

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Within one year	1,600,000	1,600,000	1,600,000
After one year	6,000,000	6,800,000	7,600,000
	7,600,000	8,400,000	9,200,000

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

14 Treasury shares

	31 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Number of treasury shares	**6,363,449**	6,363,449	6,394,305
Percentage of ownership	**0.793%**	0.793%	0.796%
Market value (KD)	**426,351**	445,434	633,026
Cost (KD)	**931,786**	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 KD59,349 (31 December 2012: KD62,006 and 31 March 2012: KD87,693) are pledged against murabaha payable (note 13).

15 Annual general assembly

The Annual General Assembly of the parent company for the year ended 31 December 2012 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2012 have not yet been approved. The interim condensed consolidated financial information for the three month period ended 31 March 2013 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2012. The directors of the parent company did not propose any dividends for the year ended 31 December 2012.

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 KD2,479,580 (31 December 2012: KD2,089,882 and 31 March 2012: KD2,553,673).

17 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:

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

17 Segmental information (continued)

The revenues and profits generated by the group from business segments are summarised as follows:

	Instalment credit KD	Investments KD	Financial brokerage KD	Real estate investment KD	Total KD
Three months ended 31 March 2013					
Total income	**509,025**	**1,489,476**	**49,712**	**30,440**	**2,078,653**
(Loss)/profit for the period	**(306,888)**	**919,295**	**(50,858)**	**15,674**	**577,223**
Total assets	**32,993,726**	**78,468,447**	**17,907,133**	**7,831,204**	**137,200,510**
Total liabilities	**4,738,466**	**17,093,526**	**2,671,543**	**-**	**24,503,535**
Net assets	**28,255,260**	**61,374,921**	**15,235,590**	**7,831,204**	**112,696,975**
Three months ended 31 March 2012					
Total income	717,573	1,016,000	91,674	18,199	1,843,446
Profit/(loss) for the period	158,191	567,670	79,010	(556,940)	247,931
Total assets (restated)	43,956,298	69,575,264	5,744,187	19,842,059	139,117,808
Total liabilities	6,919,010	15,058,561	-	2,229,312	24,206,883
Net assets	37,037,288	54,516,703	5,744,187	17,612,747	114,910,925

18 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 March 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	31 March 2012 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Instalment credit debtors-gross (note 7)	**13,568,678**	13,379,803	15,509,231
Due from related parties (18.2)	**1,425,153**	802,053	79,319
Due to shareholders (included in accounts payable and other liabilities)	**224,113**	225,476	1,596,459
Due to related parties (18.1)	**6,957,179**	2,222,582	1,390,511

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

18 Related party transactions (continued)

	Three months ended 31 March 2013 (Unaudited) KD	Three months ended 31 March 2012 (Unaudited) KD
Interim condensed consolidated statement of income		
Income from instalment credit debtors	**188,874**	284,443
Profit on sale of investment in associate	**184,625**	-
Profit on sale of available for sale investment	**461,241**	-
Interest income	**55,149**	-
Key management compensation:		
Salaries and other short term benefits	**39,314**	45,937
Provision for end of service indemnity	**4,180**	4,179

18.1 At 31 March 2013, due to related parties includes an amount of KD6.2 million payable on purchase of an investment.

18.2 Due from related parties includes unsecured notes receivable from foreign associate amounting to KD1,230,591. These notes carry effective interest rate of 8% and are repayable at various dates ending 2017.

19 Summary of financial assets and liabilities

The group adopted IFRS 13 Fair Value Measurement effective from 1 January 2013. In the first year of adoption comparative information need not be presented for the disclosures required by the standard. Accordingly the disclosure for the fair value hierarchy is only presented for the 31 March 2013 period end.

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

	31 March 2013 (Unaudited) KD
Financial assets:	
Cash and cash equivalents	8,341,404
Instalments credit debtors	21,326,058
Investments at fair value through statement of income	7,500,397
Held to maturity investment	283,050
Accounts receivable and other assets	4,716,555
Due from related parties	1,425,153
Available for sale investments	57,659,061
Total	101,251,678
Financial liabilities:	
Due to banks	1,835,840
Accounts payable and other liabilities	6,267,204
Due to related parties	6,957,179
Term loans	1,280,100
Murabaha payable	7,600,000
Provision for end of service indemnity	563,212
Total	24,503,535

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the group's management, except for certain available for sale investments which are carried at cost for reasons specified in note 9 to this interim condensed consolidated financial information, the carrying amounts of financial assets and liabilities as at 31 March 2013 approximate their fair values.

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

19 Summary of financial assets and liabilities (continued)

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

	31 March 2013 (Unaudited)	
	Carrying amount KD	Fair value KD
Financial assets:		
Cash and cash equivalents	8,341,404	-
Installments credit debtors	21,326,058	-
Investments at fair value through statement of income	-	7,500,397
Held to maturity investment	283,050	-
Accounts receivable and other assets	4,716,555	-
Due from related parties	1,425,153	-
Available for sale investments	9,859,470	47,799,591
	45,951,690	55,299,988

	31 March 2013 (Unaudited)	
	Carrying amount KD	Fair value KD
Financial liabilities:		
Due to banks	1,835,840	-
Accounts payable and other liabilities	6,267,204	-
Due to related parties	6,957,179	-
Term loans	1,280,100	-
Murabaha payable	7,600,000	-
Provision for end of service indemnity	563,212	-
	24,503,535	-

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the interim condensed 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.

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

19 Summary of financial assets and liabilities (continued)

The financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 March 2013

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through statement of income:				
Quoted securities	7,500,397	-	-	7,500,397
Available for sale investments:				
Quoted securities	24,139,849	-	-	24,139,849
Unquoted securities	-	-	23,459,698	23,459,698
Managed funds	-	200,044	-	200,044
	31,640,246	200,044	23,459,698	55,299,988

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

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 March 2013 (Unaudited) KD
Opening balance	14,773,511
Additions during the period:	
- Purchases	8,686,187
Closing balance	23,459,698

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 recognized 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

Notes to the interim condensed consolidated financial information (Unaudited) (continued)

19 Summary of financial assets and liabilities (continued)

Measurement at fair value (continued)

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.

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 2012.

21 Prior year adjustments

a) In the group's 2012 annual consolidated financial statements, the group restated its prior year financial statements as a result of the remeasurement of goodwill relating to acquisition of an associate. The interim condensed consolidated financial information has also been restated to reflect this adjustments. For more details refer to the consolidated financial statements for the year ended 31 December 2012.

b) During 2012, 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 interim condensed consolidated financial information has 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 three months ended 31 March 2012 as well as equity as at 31 March 2012.

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

- Increase in investment property at 31 March 2012 by KD2,053,546.

- Decrease in property and equipment at 31 March 2012 by KD2,053,546.