International Finance Company KPSC
and its subsidiaries
State of Kuwait

Interim condensed consolidated financial information and independent auditors' review report for the six months period ended 30 June 2013 (Unaudited)

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State of Kuwait

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Independent auditors' report on review of interim condensed consolidated financial information to the Board of Directors of International Finance Company KPSC

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of International Finance Company (A Kuwaiti Public Shareholding Company) (the "parent company") and its subsidiaries (together the "group") as at 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-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 six-month period ended 30 June 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 six-month period ended 30 June 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.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners
Kuwait
25 July 2013

Qais M. Al Nisf
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International Finance Company KPSC and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of financial position (Unaudited)
As at 30 June 2013

	Notes	(Unaudited) 30 June 2013 KD	(Audited) 31 December 2012 KD	(Restated) (Unaudited) 30 June 2012 KD
Assets				
Cash and cash equivalents	4	9,338,969	8,313,149	7,936,694
Instalment credit debtors	5	19,262,615	23,120,497	30,002,990
Investments at fair value through statement of income	6	8,523,308	7,626,053	8,280,960
Accounts receivable and other assets	7	10,362,539	5,029,118	4,973,486
Due from related parties	18	1,504,615	802,053	871,867
Properties held for trading		3,857,157	3,236,722	2,240,127
Available for sale investments	8	62,511,351	51,795,829	42,762,183
Held to maturity investment		283,050	283,050	-
Investment in associates	9	27,984,895	30,410,412	28,166,731
Investment property		1,979,717	2,009,247	2,038,779
Property and equipment		2,735,646	2,789,239	2,801,004
Total assets		148,343,862	135,415,369	130,074,821
Liabilities and equity				
Liabilities				
Due to banks	10	1,379,561	2,519,280	2,574,001
Accounts payable and other liabilities		7,880,429	6,567,527	6,249,484
Due to related parties	18	260,947	2,222,582	1,458,496
Term loans	11	12,753,400	1,706,800	3,125,908
Murabaha payable	12	7,600,000	8,400,000	9,200,000
Provision for end of service indemnity		562,784	495,654	561,269
Total liabilities		30,437,121	21,911,843	23,169,158
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	13	(938,305)	(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		(198,762)	(189,578)	(170,304)
Fair value reserve		11,839,529	8,615,587	1,436,852
Accumulated losses		(13,894,785)	(15,081,492)	(14,669,640)
Total equity attributable to the owners of the parent company		117,285,686	112,890,740	106,150,403
Non-controlling interests		621,055	612,786	755,260
Total equity		117,906,741	113,503,526	106,905,663
Total liabilities and equity		148,343,862	135,415,369	130,074,821

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

Jassim Hassan Zainal
Chairman and Managing Director

International Finance Company KPSC and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of income (Unaudited)
For the six months period ended 30 June 2013

		Three months ended 30 June		Six months ended 30 June	
		2013	**2012**	**2013**	**2012**
	Notes	KD	KD	KD	KD
Revenue					
Income from instalment credit debtors		549,718	671,098	1,058,743	1,388,671
Rental income		38,683	18,199	69,123	36,398
Interest income		87,193	52,328	195,196	98,792
Profit on sale of investments at fair value through statement of income		55,407	8,380	90,198	8,380
Change in fair value of investments at fair value through statement of income		247,727	291,603	(48,045)	868,434
Profit/(loss) on sale of available for sale investments		84,064	(56,983)	1,243,001	(58,078)
Profit/(loss) on sale of properties held for trading		92,235	(4,900)	92,235	55,911
Share of results of associates	9	44,971	(76,163)	(60,273)	(184)
Profit on sale of investment in associate	9	-	-	184,625	-
(Loss)/gain on foreign currency exchange		(7,812)	7,634	(81,799)	2,125
Dividend income		613,381	496,586	1,012,712	732,771
Brokerage income		58,793	635	108,505	92,309
Other income		1,161	197,323	79,953	223,657
		1,865,521	1,605,740	3,944,174	3,449,186
Expenses and other charges					
Staff costs		(452,808)	(406,192)	(833,296)	(736,858)
General and administrative expenses		(392,023)	(379,453)	(814,206)	(654,659)
Finance costs		(259,295)	(291,831)	(516,661)	(672,139)
Reversal/(charge for) provision for instalment credit debtors-net	5	720,490	(38)	720,490	(13,772)
Provision for doubtful debts		(631,998)	(613,222)	(631,998)	(1,084,003)
Depreciation		(42,907)	(48,159)	(85,756)	(97,030)
Impairment of available for sale investments	8	(164,486)	(23,960)	(545,188)	(99,909)
		(1,223,027)	(1,762,855)	(2,706,615)	(3,358,370)
Profit/(loss) for the period before provisions for contribution to KFAS, National Labour Support Tax and Zakat		642,494	(157,115)	1,237,559	90,816
Provision for contribution to Kuwait Foundation for the Advancement of Sciences		-	-	-	-
Provision for National Labour Support Tax		(10,832)	-	(27,356)	-
Provision for Zakat		(4,129)	-	(5,447)	-
Profit/(loss) for the period		627,533	(157,115)	1,204,756	90,816
Attributable to:					
Owners of the parent company		611,161	41,749	1,186,707	432,656
Non-controlling interests		16,372	(198,864)	18,049	(341,840)
		627,533	(157,115)	1,204,756	90,816
Basic and diluted earnings per share attributable to the owners of the parent company (Fils)	14	0.77	0.05	1.49	0.54

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

International Finance Company KPSC and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of comprehensive income (Unaudited)
For the six months period ended 30 June 2013

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	KD	KD	KD	KD
Profit/(loss) for the period	627,533	(157,115)	1,204,756	90,816
Other comprehensive income/(loss) items:				
Items that may be reclassified subsequently to statement of income				
Exchange differences arising on translation of foreign operations	(66,909)	77,901	(18,964)	74,122
Available for sale investments:				
- Change in fair value	4,518,747	(7,959,247)	2,954,136	(6,656,208)
- Transferred to consolidated statement of income on impairment	164,486	23,960	545,188	99,909
- Transferred to consolidated statement of income on sale	(27,572)	9,239	(275,382)	14,534
Total other comprehensive income/ (loss) for the period	4,588,752	(7,848,147)	3,204,978	(6,467,643)
Total comprehensive income/(loss) for the period	5,216,285	(8,005,262)	4,409,734	(6,376,827)
Attributable to:				
Owners of the parent company	5,203,554	(7,813,857)	4,401,465	(6,039,405)
Non-controlling interests	12,731	(191,405)	8,269	(337,422)
	5,216,285	(8,005,262)	4,409,734	(6,376,827)

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

International Finance Company KPSC and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of changes in equity (Unaudited)
For the six months period ended 30 June 2013

	Equity attributable to the owners of the parent company											
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	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	-	-	-	-	-	-	-	-	1,186,707	1,186,707	18,049	1,204,756
Other comprehensive (loss)/income:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(9,184)	-	-	(9,184)	(9,780)	(18,964)
Available for sale investments:												
- Net change in fair value	-	-	-	-	-	-	-	2,954,136	-	2,954,136	-	2,954,136
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	-	(275,382)	-	(275,382)	-	(275,382)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	-	545,188	-	545,188	-	545,188
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(9,184)	3,223,942	1,186,707	4,401,465	8,269	4,409,734
Purchase of treasury shares	-	-	(6,519)	-	-	-	-	-	-	(6,519)	-	(6,519)
Balance at 30 June 2013 (unaudited)	80,288,257	32,950,027	(938,305)	-	7,087,901	151,824	(198,762)	11,839,529	(13,894,785)	117,285,686	621,055	117,906,741
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	-	-	-	-	-	-	-	-	432,656	432,656	(341,840)	90,816
Other comprehensive income/(loss):												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	69,704	-	-	69,704	4,418	74,122
Available for sale investments:												
- Net change in fair value	-	-	-	-	-	-	-	(6,656,208)	-	(6,656,208)	-	(6,656,208)
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	-	14,534	-	14,534	-	14,534
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	-	99,909	-	99,909	-	99,909
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	69,704	(6,541,765)	432,656	(6,039,405)	(337,422)	(6,376,827)
Balance at 30 June 2012 (unaudited)	80,288,257	32,950,027	(1,432,303)	157,713	7,087,901	501,900	(170,304)	1,436,852	(14,669,640)	106,150,403	755,260	106,905,663

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (Unaudited)
For the six months period ended 30 June 2013

	Notes	Six months ended 30 June 2013 KD	Six months ended 30 June 2012 KD
OPERATING ACTIVITIES			
Profit for the period		1,204,756	90,816
Adjustments:			
Interest income		(195,196)	(98,792)
Dividend income		(1,012,712)	(732,771)
(Profit)/loss on sale of available for sale investments		(1,243,001)	58,078
Impairment of available for sale investments		545,188	99,909
Profit on sale of properties held for trading		(92,235)	(55,911)
Share of results of associates	9	60,273	184
Profit on sale of investment in associate	9	(184,625)	-
(Reversal)/charge for provision for installment credit debtors		(720,490)	13,772
Provision for doubtful debts		631,998	1,084,003
Depreciation		85,756	97,030
Finance costs		516,661	672,139
Net provision for staff indemnity		67,130	(708,961)
		(336,497)	519,496
Changes in operating assets and liabilities:			
Instalment credit debtors		4,578,372	7,751,375
Investments at fair value through statement of income		(897,255)	(911,376)
Accounts receivable and other assets		(5,362,399)	(633,907)
Due from / to related parties		(2,043,466)	(771,761)
Accounts payable and other liabilities		1,312,902	(1,295,418)
Net cash (used in)/generated from operating activities		(2,748,343)	4,658,409
INVESTING ACTIVITIES			
Net purchase of property and equipment		(12,645)	(10,663)
Purchase of properties held for trading		(760,299)	-
Proceeds from sale of properties held for trading		227,607	1,089,026
Purchase of associate	9	(31,131)	-
Proceeds from sales of investment in associates	9	1,322,188	-
Purchase of available for sale investments		(10,345,159)	(43,727)
Proceeds from sale of available for sale investments		3,541,847	211,975
Dividends income received		1,012,712	732,771
Dividend from associate	9	35,062	-
Interest income received		195,196	98,792
Net cash (used in)/generated from investing activities		(4,814,622)	2,078,174
FINANCING ACTIVITIES			
Net change in due to banks		(1,139,719)	(2,036,310)
Additions/(repayment) of term loans		11,046,600	(1,125,974)
Repayment of murabaha payable		(800,000)	(800,000)
Purchase of treasury shares		(6,519)	-
Finance costs paid		(516,661)	(672,139)
Net cash generated from/(used in) financing activities		8,583,701	(4,634,423)
Net increase in cash and cash equivalents		1,020,736	2,102,160
Translation of foreign operations		5,084	25,517
Cash and cash equivalents at beginning of the period		8,313,149	5,809,017
Cash and cash equivalents at end of the period	4	9,338,969	7,936,694

The accompanying notes on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

1. Incorporation and activities

International Finance Company – KPSC (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 – KPSC 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 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.

1. Incorporation and activities (continued)

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 Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree).

According to articles 2 and 3 of the Decree, Executive Regulations, which shall be issued by the Ministry of Commerce and Industry by 26 September 2013 will determine the basis and rules which the parent company shall adopt to regularise its affairs with the Companies Law as amended.

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 six months period ended 30 June 2013 for issue on 25 July 2013.

2. Basis of preparation

This interim condensed consolidated financial information have 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.

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.

Operating results for the six months period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013. The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2012, except for the following:

2. Basis of preparation (continued)

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.

2.1 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

2.1.1 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.

The adoption of this standard has resulted in presentation changes in statement of comprehensive income.

2.1.2 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.

2. Basis of preparation (continued)

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

2.1.3 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.

2.1.4 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.

2.1.5 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.

2.1.6 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.

2.1.7 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. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. IAS 34 requires particular IFRS 13 disclosures in the interim financial statements.

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

2. Basis of preparation (continued)

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

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

2.1.9 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:

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.

2. Basis of preparation (continued)

2.2 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

2.2.1 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.

2.2.2 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.

3. 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.

4. Cash and cash equivalents

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Cash and bank balances	6,645,567	5,524,357	5,144,468
Term deposits – one to three months	2,693,402	2,788,792	2,792,226
	9,338,969	8,313,149	7,936,694

The term deposits carry an effective interest of 6.5% per annum (31 December 2012: 1.75% per annum and 30 June 2012: 6.25% per annum)

5. Instalment credit debtors

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Gross instalment credit debtors	34,872,553	39,636,721	49,356,242
Deferred income	(985,727)	(1,179,136)	(1,308,148)
	33,886,826	38,457,585	48,048,094
Specific provision for doubtful debts	(14,043,099)	(14,767,423)	(17,054,179)
General provision for doubtful debts	(581,112)	(569,665)	(990,925)
	19,262,615	23,120,497	30,002,990

Gross instalment credit debtors are repayable as follows:

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Within one year	25,826,697	30,326,338	37,566,254
More than a year	9,045,856	9,310,383	11,789,988
	34,872,553	39,636,721	49,356,242

The effective annual interest rate earned on instalment credit ranged from 3% to 9% per annum (31 December 2012: 3% to 9% and 30 June 2012: 5.50% 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 KD 12,893,554 (31 December 2012: KD 13,379,803 and 30 June 2012: KD 14,840,440) 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 KD 459,489 (KD 747,059 as of 31 December 2012, 30 June 2012: KD 1,117,726) representing a portfolio of customer loans which have been discounted to a bank according to a debt factoring agreement (note 10).

6. Investments carried at fair value through statement of income

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Local quoted shares	2,098,821	1,289,837	1,491,743
Foreign quoted shares	248,442	264,531	338,050
Investment in managed portfolios	6,176,045	6,071,685	6,451,165
Local unquoted shares	-	-	2
	8,523,308	7,626,053	8,280,960

An investment portfolio with a carrying value of KD 6,176,045 (31 December 2012: KD 6,071,685 and 30 June 2012: KD5,864,696) is pledged against term loans and murabaha payable (notes 11 and 12).

7. Accounts receivable and other assets

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Trade receivables	5,030,704	3,200,663	3,757,481
Provision for doubtful debts (see below)	(2,123,721)	(1,491,723)	(1,084,003)
	2,906,983	1,708,940	2,673,478
Staff loans receivable	23,193	34,077	144,135
Prepayments and refundable deposits	73,684	44,904	27,657
Advance payment towards purchase of investments	6,235,763	2,263,541	-
Other assets	1,122,916	977,656	2,128,216
	10,362,539	5,029,118	4,973,486

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

8. Available for sale investments

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Local quoted shares	25,748,670	23,267,347	18,149,824
Local unquoted shares	25,010,986	16,435,138	11,353,643
Foreign quoted shares	-	-	166,798
Foreign unquoted shares	8,377,977	9,328,058	9,979,926
Investment in managed portfolios	3,184,024	2,545,007	2,098,069
Investment funds	189,694	220,279	1,013,923
	62,511,351	51,795,829	42,762,183

8. Available for sale investments (continued)

The unquoted investments include investments with a carrying value of KD 9,929,265 (31 December 2012: KD 10,989,685 and 30 June 2012: KD 21,333,569) 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 KD 32,146,067 (31 December 2012: KD 18,507,181 and 30 June 2012: KD 17,072,601) are pledged against due to banks, term loans and murabaha payable (notes 10, 11 and 12).

During the period the group recognised an impairment loss of KD 545,188 (31 December 2012: KD 822,084 and 30 June 2012: KD 99,909) on certain investments. Management has performed an analysis of the underlying investment which indicates that there is no further impairment.

9. Investment in associates

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

	30 June 2013	(Audited) 31 December 2012	(Restated) 30 June 2012
	KD	KD	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	(60,273)	(3,451)	(184)
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	(35,062)	-	-
	27,984,895	30,410,412	28,166,731

a. During the period the group participated in the establishment of Hilltop 2 UK Limited with an amount of KD 31,131 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 KD 1,322,188 resulting into a profit of KD 184,625. As a result, the ownership interest in the associate reduced from 29.77% to 26.95%.

10. 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 30 June 2012: 5% per annum) and payable on demand. Credit facilities are granted against pledge of available for sale investments (note 8).

This balance also includes an amount of KD 228,783 (31 December 2012: KD 528,078 and 30 June 2012: KD 887,154) due to a bank against the factoring of certain instalment credit debtors (note 5).

11. Term loans

Term loans are repayable to local and foreign banks in different periods and bear interest at annual rate 4.5%-6% (31 December 2012: 5.5% and 30 June 2012: 4.16% to 8.50%).

Loans are repayable as follows:

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Kuwait Dinar Loans	12,753,400	1,706,800	2,560,200
US$ Loans	-	-	565,708
	12,753,400	1,706,800	3,125,908

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Within one year	6,923,400	1,706,800	2,272,508
After one year	5,830,000	-	853,400
	12,753,400	1,706,800	3,125,908

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 6 and 8).

12. Murabaha payable

This represents Islamic financing obtained from a local financial institution, carrying an effective profit rate of 6% (31 December 2012: 6% and 30 June 2012: 6.5%). 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 6, 8 and 13).

Murabaha payable are due as follows:

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	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

13. Treasury shares

	30 June 2013	(Audited) 31 December 2012	30 June 2012
Number of treasury shares	6,451,373	6,363,449	6,394,305
Percentage of share capital	0.804%	0.793%	0.796%
Market value (KD)	458,047	445,434	530,727
Cost (KD)	938,305	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 KD 62,892 (31 December 2012: KD 62,006 and 30 June 2012: KD 530,727) are pledged against murabaha payable (note 12).

14. 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 30 June		Six months ended 30 June	
	2013	2012	2013	2012
Profit for the period attributable to the owners of the parent company– (KD)	611,161	41,749	1,186,707	432,656
Weighted average number of shares issued (excluding treasury shares)	796,516,208	796,488,360	796,517,650	796,488,360
Basic and diluted earnings per share attributable to the owners of the parent company (Fils)	0.77	0.05	1.49	0.54

15. Annual general assembly

The Annual General Assembly of the shareholders held on 16 May 2013 approved the consolidated financial statements for the year ended 31 December 2012 without any dividend..

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 2,624,761 (31 December 2012: KD 2,089,882 and 30 June 2012: KD 2,188,533).

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:

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

	Instalment credit	**Investments**	**Real estate investments**	**Brokerage**	**Total**
	KD	KD	KD	KD	KD
Six months period ended 30 June 2013					
Total income	1,657,987	2,608,804	161,357	236,516	4,664,664
(Loss)/profit for the period	(525,871)	(1,594,417)	146,592	(10,382)	1,204,756
Total assets	37,297,892	83,114,673	8,436,874	19,494,423	148,343,862
Total liabilities	15,840,342	10,397,294	-	4,199,485	30,437,121
Net assets	21,457,550	72,717,379	8,436,874	15,294,938	117,906,741

	Instalment credit	**Investments**	**Real estate investments**	**Brokerage**	**Total**
	KD	KD	KD	KD	KD
Six months period ended 30 June 2012					
Total income	1,388,671	1,744,378	121,617	92,309	3,346,975
Profit/(loss) for the period	98,545	1,130,375	(1,230,413)	92,309	90,816
Total assets	43,780,886	61,802,908	19,749,608	4,840,128	130,173,530
Total liabilities	6,244,640	14,166,194	2,758,324	-	23,169,158
Net assets	37,536,246	47,636,714	16,991,284	4,840,128	107,004,372

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:

	30 June 2013	(Audited) 31 December 2012	30 June 2012
	KD	KD	KD
Interim condensed consolidated statement of financial position			
Instalment credit debtors (note 5)	12,893,554	13,379,803	14,840,440
Due from related parties	1,504,615	802,053	871,867
Due to shareholders (included in accounts payable and other liabilities)	224,113	225,476	629,756
Due to related parties	260,947	2,222,582	1,458,496

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
	KD	KD
Interim condensed consolidated statement of income		
Income from instalment credit debtors	429,565	572,992
Profit on sale of investment in associate	184,625	-
Profit on sale of available for sale investment	401,241	-
Interest income	68,550	-
Key management compensation:		
Salaries and other short term benefits	161,974	91,874
Provision for end of service indemnity	10,042	8,356

Due from related parties includes unsecured notes receivable from foreign associate amounting to KD 1,230,591. 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 30 June 2013 period end.

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:

	30 June 2013 (Unaudited) KD
Financial assets:	
Cash and cash equivalents	9,338,969
Instalments credit debtors	19,262,615
Investments at fair value through statement of income	8,523,308
Held to maturity investment	283,050
Accounts receivable and other assets (note 7)	4,126,776
Due from related parties	1,504,615
Available for sale investments	62,511,351
Total	105,550,684
Financial liabilities:	
Due to banks	1,379,561
Accounts payable and other liabilities	7,880,429
Due to related parties	260,947
Term loans	12,753,400
Murabaha payable	7,600,000
Provision for end of service indemnity	562,784
Total	30,437,121

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 note8 to this interim condensed consolidated financial information, the carrying amounts of financial assets and liabilities as at 30 June 2013 approximate their fair values.

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:

	30 June 2013 (Unaudited)	
	Carrying amount KD	Fair value KD
Financial assets:		
Cash and cash equivalents	9,338,969	-
Installments credit debtors	19,262,615	-
Investments at fair value through statement of income	-	8,523,308
Held to maturity investment	283,050	-
Accounts receivable and other assets (note 7)	4,126,776	-
Due from related parties	1,504,615	-
Available for sale investments	9,929,265	52,582,086
	44,445,290	61,105,394

19. Summary of financial assets and liabilities (continued)

	30 June 2013 (Unaudited)	
	Carrying amount	Fair value
	KD	KD
Financial liabilities:		
Due to banks	1,379,561	-
Accounts payable and other liabilities	7,880,429	-
Due to related parties	260,947	-
Term loans	12,753,400	-
Murabaha payable	7,600,000	-
Provision for end of service indemnity	562,784	-
	30,437,121	-

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.

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:

30 June 2013

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through statement of income:				
Quoted securities	8,523,308	-	-	8,523,308
Available for sale investments:				
Quoted securities	28,932,694	-	-	28,932,694
Unquoted securities	-		23,459,698	23,459,698
Managed funds	-	189,694	-	189,694
	37,456,002	189,694	23,459,698	61,105,394

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

19. Summary of financial assets and liabilities (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:

	30 June 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

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 adjustment. 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 adjustment with retrospective effect. Since the group adopted cost model for the investment property, there was no effect on the results for the six months ended 30 June 2012 as well as equity as at 30 June 2012.

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

- Increase in investment property at 30 June 2012 by KD 2,038,779.
- Decrease in property and equipment at 30 June 2012 by KD 2,038,779.

22. Subsequent event

The extraordinary General Assembly held on 24 July 2013 approved to change the company name from International Finance Company KPSC to Arzan Financial Group for Finance and Investment KPSC.