

Noor Financial Investment Company K.S.C. (Closed) and Subsidiaries
Kuwait

Independent Auditors' Review Report and
Interim Condensed Consolidated Financial Information (Unaudited)
(1 January 2013 to 31 March 2013)

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E-mail: gt@gtkuwait.com**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NOOR FINANCIAL INVESTMENT COMPANY K.S.C. (CLOSED)***Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Noor Financial Investment Company K.S.C. (Closed), Kuwait ("the Parent Company") and its subsidiaries ("the Group") as at 31 March 2013 and the related interim condensed consolidated statements of profit or loss and profit or loss and other comprehensive income for the three month period then ended and the related interim condensed consolidated statements of 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

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies' Law No. 25 of 2012 as amended, or of the Parent Company's Memorandum and Articles of Association, 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 violation of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, during the three month period ended 31 March 2013.

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Interim Condensed Consolidated Statement of Profit or Loss - period ended 31 March 2013 (Unaudited)

		Kuwaiti Dinars	
		Three months ended	
		31 March	
	Note	2013	2012
Income			
Realised gain on investments at fair value through profit or loss		113,082	518,345
Unrealised gain on investments at fair value through profit or loss		555,500	332,097
Realised gain on sale of available for sale investments		311,771	197,844
Dividend income		119,920	728,957
Share of results of associates		1,722,897	2,119,741
Management and placement fees		88,975	452,280
Interest and other income	3	1,191,802	2,859,777
Foreign exchange gain/ (loss)		44,696	(24,651)
		<u>4,148,643</u>	<u>7,184,390</u>
Expenses and other charges			
General, administrative and other expenses		1,223,921	1,084,806
Finance costs		1,193,252	1,857,865
Impairment in value of available for sale investments	8	179,936	1,739,014
		<u>2,597,109</u>	<u>4,681,685</u>
Profit before KFAS, Zakat and NLST		1,551,534	2,502,705
Provision for Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		9,310	-
Provision for Zakat		14,005	17,765
Provision for National Labour Support Tax (NLST)		34,520	44,857
		<u>57,835</u>	<u>62,622</u>
Profit for the period		<u>1,493,699</u>	<u>2,440,083</u>
Attributable to:			
Owners of the Parent Company		1,437,222	2,543,828
Non-controlling interests		56,477	(103,745)
		<u>1,493,699</u>	<u>2,440,083</u>
Basic and diluted earnings per share (Fils)	4	<u>3.92</u>	<u>6.95</u>

The attached notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- period ended 31 March 2013 (Unaudited)

	Kuwaiti Dinars	
	Three months ended	
	31 March	
	2013	2012
Profit for the period	1,493,699	2,440,083
Other comprehensive income		
Exchange differences arising on translation of foreign operations	116,986	(417,596)
<i>Available for sale investments:</i>		
- Net changes in fair value arising during the period	516,439	(304,608)
- Transferred to consolidated statement of income on sale	(311,771)	(197,844)
- Transferred to consolidated statement of income on impairment	179,936	1,739,014
Share of other comprehensive income of associates	(444,308)	(186,176)
Total other comprehensive income for the period	57,282	632,790
Total comprehensive income for the period	1,550,981	3,072,873
Total comprehensive income attributable to:		
Owners of the Parent Company	1,300,679	3,395,443
Non-controlling interests	250,302	(322,570)
	1,550,981	3,072,873

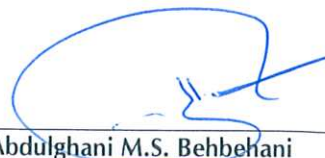
The attached notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position as at 31 March 2013 (Unaudited)

		Kuwaiti Dinars		
		31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
	Note			
ASSETS				
Cash and bank balances	5	17,497,257	16,381,419	16,765,935
Short term deposits	5	301,142	325,318	2,125,992
Murabaha and wakala investments	5	8,248,175	11,293,421	7,295,148
Investments at fair value through profit or loss	6	23,510,970	23,425,578	24,362,551
Accounts receivable and other assets	7	20,858,783	19,884,163	39,644,171
Available for sale investments	8	79,990,312	81,837,428	75,989,175
Investments in associates		46,246,716	44,894,829	47,203,712
Investment properties	9	16,765,256	16,745,156	14,170,549
Property, plant and equipment		4,461,563	4,428,634	2,875,207
Total assets		217,880,174	219,215,946	230,432,440
LIABILITIES AND EQUITY				
Liabilities				
Due to banks	5	-	-	985,524
Accounts payable and other liabilities		6,149,826	4,244,350	7,353,698
Borrowings from banks and financial institutions	10	142,960,500	147,456,864	157,975,422
Provision for end of service indemnity		319,570	299,917	292,990
Total liabilities		149,429,896	152,001,131	166,607,634
Equity				
Equity attributable to owners of the Parent Company				
Share capital	11	37,560,251	37,560,251	75,000,000
Share premium	11	3,410,573	3,410,573	5,896,598
Treasury shares		(3,410,573)	(3,410,573)	(5,870,926)
Legal reserve		469,420	469,420	-
Voluntary reserve		469,420	469,420	-
Gain on sale of treasury shares		-	-	71,321
Cumulative changes in fair value		8,707,711	8,961,240	5,982,171
Foreign currency translation reserve		(10,110,786)	(10,227,772)	(8,432,139)
Retained earnings/ (Accumulated losses)		5,016,464	3,579,242	(34,992,914)
Equity attributable to the owners of the Parent Company		42,112,480	40,811,801	37,654,111
Non-controlling interests		26,337,798	26,403,014	26,170,695
Total equity		68,450,278	67,214,815	63,824,806
Total liabilities and equity		217,880,174	219,215,946	230,432,440

The attached notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.


Abdullahatif A. Al-Asfour
Chairman & Managing Director


Abdulghani M.S. Behbehani
Vice Chairman

Interim Condensed Consolidated Statement of Changes in Equity - period ended 31 March 2013 (Unaudited)

	Kuwaiti Dinars									
	Attributable to the owners of the Parent Company								Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings	Total	
Balance as at 1 January 2013	37,560,251	3,410,573	(3,410,573)	469,420	469,420	8,961,240	(10,227,772)	3,579,242	40,811,801	67,214,815
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(315,518)
Transactions with owners	-	-	-	-	-	-	-	-	-	(315,518)
Profit/(loss) for the period	-	-	-	-	-	-	-	1,437,222	1,437,222	56,477
Total other comprehensive income for the period	-	-	-	-	-	(253,529)	116,986	-	(136,543)	193,825
Total comprehensive income for the period	-	-	-	-	-	(253,529)	116,986	1,437,222	1,300,679	250,302
Balance as at 31 March 2013	37,560,251	3,410,573	(3,410,573)	469,420	469,420	8,707,711	(10,110,786)	5,016,464	42,112,480	68,450,278

The attached notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity - period ended 31 March 2013 (Unaudited)

	Kuwaiti Dinars								Total	
	Attributable to the owners of the Parent Company									
	Share capital	Share premium	Treasury shares	Gain on sale of treasury shares	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	
Balance as at 1 January 2012	75,000,000	5,896,598	(5,870,926)	71,321	4,712,960	(8,014,543)	(37,536,742)	34,258,668	26,650,120	60,908,788
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	(147,015)	(147,015)
Dividend paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	(9,840)	(9,840)
Transactions with owners	-	-	-	-	-	-	-	-	(156,855)	(156,855)
Profit/(loss) for the period	-	-	-	-	-	-	2,543,828	2,543,828	(103,745)	2,440,083
Total other comprehensive income for the period	-	-	-	-	1,269,211	(417,596)	-	851,615	(218,825)	632,790
Total comprehensive income for the period	-	-	-	-	1,269,211	(417,596)	2,543,828	3,395,443	(322,570)	3,072,873
Balance as at 31 March 2012	75,000,000	5,896,598	(5,870,926)	71,321	5,982,171	(8,432,139)	(34,992,914)	37,654,111	26,170,695	63,824,806

The attached notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows - period ended 31 March 2013 (Unaudited)

	Kuwaiti Dinars	
	Three months ended	31 March
	2013	2012
Operating activities		
Profit before KFAS, Zakat and NLST	1,551,534	2,502,705
<i>Adjustments:</i>		
Realised gain on sale of available for sale investments	(311,771)	(197,844)
Dividend income	(119,920)	(728,957)
Share of results of associates	(1,722,897)	(2,119,741)
Interest income and income from wakala and murabaha investments	(16,886)	(41,758)
Effect of un-winding of discount on receivables	(70,921)	(274,467)
Depreciation	46,342	31,636
Provision for end of service indemnity	19,653	10,439
Finance costs	1,193,252	1,857,865
Impairment in value of available for sale investments	179,936	1,739,014
	<u>748,322</u>	<u>2,778,892</u>
<i>Changes in operating assets and liabilities:</i>		
Investments at fair value through profit or loss	(85,392)	1,047,997
Accounts receivable and other assets	(853,767)	(2,609,897)
Accounts payable and other liabilities	1,958,792	(1,919,738)
Net cash from/(used in) operating activities	<u>1,767,955</u>	<u>(702,746)</u>
Investing activities		
Changes in blocked deposits	5,000,000	-
Decrease/ (increase) in wakala investments	3,045,246	(414,066)
Proceeds from sale of available for sale investments	2,498,434	2,901,357
Purchase of available for sale investments	(134,878)	-
Improvement/acquisition of investment property	(20,100)	(1,431,551)
Net acquisition of equipment	(79,271)	-
Dividends received	119,920	138,864
Interest income	16,886	41,758
Net cash from investing activities	<u>10,446,237</u>	<u>1,236,362</u>
Financing activities		
Repayment of short term borrowings (net)	(4,496,364)	(1,968,765)
Dividends paid	(6,000)	-
Dividends paid to non-controlling interests by subsidiaries	-	(9,840)
Payment to subsidiary's non-controlling interests on account of capital reduction	(114,936)	(2,871,141)
Redemption of units by non-controlling interests of a subsidiary	(315,518)	(147,015)
Finance costs paid	(1,189,712)	(1,786,628)
Net cash used in financing activities	<u>(6,122,530)</u>	<u>(6,783,389)</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	<u>6,091,662</u>	<u>(6,249,773)</u>
Cash and cash equivalents at the beginning of period	11,291,804	24,041,176
Cash and cash equivalents at the end of period (note 5)	<u>17,383,466</u>	<u>17,791,403</u>

The attached notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

1. Incorporation and activities

Noor Financial Investment Company KSC (Closed) ("the Parent Company") was incorporated in Kuwait on 1 February 1997 and during May 2006 its shares were listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries are together referred to as "the Group". The Parent Company is regulated by the Central Bank of Kuwait and from 13 September 2011, also by the Capital Market Authority (CMA), as an investment company and is a subsidiary of National Industries Group Holding SAK, Kuwait ("the Ultimate Parent Company").

The principal objectives of the Parent Company are as follows:

- investment in various economic sectors through participating in establishing specialized companies or purchasing securities or shares in those companies;
- act as investment trustees and manage different investment portfolios for others;
- act as intermediary in borrowing operations in return for commission;

The Parent Company also has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The Parent Company's registered office is at Basement floor, Noor Investment Co. Complex, building 2, block 13, Al-Qibla, Kuwait (P. O. Box 3311, Safat 13034, State of Kuwait).

The Parent Company's Board of Directors approved and authorised this interim consolidated financial information for issue on 09 May 2013.

The annual consolidated financial statements for the year ended 31 December 2012 were approved for issuance by the Board of Directors of the Parent Company on 27 March 2013 and are to be ratified by the Parent Company's shareholders at their Annual General Meeting scheduled to be held on 14 May 2013.

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 article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Ministry of Commerce and of 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.

2. Basis of presentation and significant accounting policies

Basis of presentation

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting. The accounting policies used in preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2012 except for the adoption of the new and amended IFRS that have become effective from 1 January 2013 and those which are applicable to the Group.

The annual consolidated financial statements for the year ended 31 December 2012 were prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2013 (Unaudited)

This interim condensed consolidated financial information does not contain all the information and disclosures required for complete financial statements prepared in accordance with 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 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 annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2012.

Significant accounting policies

Adoption of new and revised International Financial Reporting Standards

New standards, revisions and amendments to IFRS issued by the International Accounting Standards Board for the annual period beginning on 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard has not resulted in any material impact on the interim condensed consolidated financial information of the Group and the relevant disclosures will be made in the annual consolidated financial statements of the Group.

IFRS 10 – Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements' and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

IFRS 12 - Disclosure of Involvement with Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The adoption of this standard has not resulted in any material additional disclosures in the condensed consolidated financial information of the Group.

IFRS 13 – Fair Value measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2013 (Unaudited)

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A (j), thereby affecting the interim condensed consolidated financial statements period. The Group has applied this requirement for the first time and has provided these disclosures in Note 14. The transition provisions in IAS 34 and IFRS 13 do not require comparative information for periods before initial application of IFRS 13. Consequentially, the Group does not provide the comparative information.

IAS 1 Financial Statement Presentation

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard resulted in presentation changes in statement of profit or loss and other comprehensive income. The amendments also preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income'.

The Group has not early adopted other standards, interpretations or amendments that have been issued but not effective.

3. Interest and other income

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2013	2012
Interest income		
(from call accounts included under bank balances and short term deposits)	8,977	27,507
Income from murabaha and wakala investments	7,909	14,251
Net income/(loss) from hotel business of a foreign subsidiary	191,331	(269,909)
Effect of un-winding of discount on receivables (note 7)	70,921	274,467
Income from financing future trade by customers and Islamic debt instruments	115,492	148,765
Income from IT service of a subsidiary (net)	212,607	-
Rental income	271,374	121,230
Reversal of impairment provision on account receivables	-	2,500,000
Others	313,191	43,466
	<u>1,191,802</u>	<u>2,859,777</u>

4. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of the Parent Company for the period by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March (Unaudited)	
	2013	2012
Profit for the period attributable to the owners of Parent Company (KD)	1,437,222	2,543,828
Weighted average number of shares outstanding during the period	375,602,510	375,602,510
Less: Weighted average number of treasury shares outstanding during the period	(9,416,985)	(9,416,985)
	<u>366,185,525</u>	<u>366,185,525</u>
Basic and diluted earnings per share (Fils)	<u>3.92</u>	<u>6.95</u>

The weighted average number of shares outstanding during the previous period has been restated to effect the capital reduction due to set off of losses (note 11).

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2013 (Unaudited)

5. Cash and cash equivalents, murabaha and wakala investments

Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated statement of cash flows consist of the following:

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Cash and bank balances	17,497,257	16,381,419	16,765,935
Short term deposits	301,142	325,318	2,125,992
Due to banks	-	-	(985,524)
	17,798,399	16,706,737	17,906,403
Less: Blocked balances	(414,933)	(5,414,933)	(115,000)
Cash and cash equivalents as per cash flow statement	17,383,466	11,291,804	17,791,403

Murabaha and wakala investments

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Due from a local Islamic investment company/ due from related parties	14,968,250	14,968,250	14,968,250
Less : Provision for impairment in value	(14,968,250)	(14,968,250)	(14,968,250)
	-	-	-
Placed with local Islamic banks	8,248,175	11,293,421	7,295,148
	8,248,175	11,293,421	7,295,148

No profit was recognised on impaired wakala investments during the current period (31 December 2012 and 31 March 2012: Nil).

Wakala investments of KD 14,968,250 (31 December and 31 March 2012: KD 14,968,250) placed with a local Islamic investment company matured in 2008. The investee company defaulted on settlement of these balances on the maturity date. Of the above, KD 5,000,000 relates to the subsidiary acquired in 2010. Full provision has been made for these receivables in accordance with the Central Bank of Kuwait's credit provisioning rules.

During previous years, the Group violated Articles 148 and 151 of the Commercial Companies Law of 1960 when it assumed the financial and legal obligations on these wakala investments of KD 9,968,250 that the Group had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group has initiated legal proceedings against the parties to recover KD 9,968,250 including profits thereon.

6. Investments at fair value through profit or loss

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
<i>Held for trading:</i>			
Quoted shares	18,194,304	17,887,014	18,378,248
Quoted Islamic debt instruments	2,551,786	2,814,611	3,169,401
<i>Designated on initial recognition:</i>			
Local funds	2,764,880	2,723,953	2,814,902
	23,510,970	23,425,578	24,362,551

Quoted shares with a fair value of KD 12,187,505 (31 December 2012: KD 12,023,799 and 31 March 2012: KD 13,908,615) are secured against bank loans (note 10).

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2013 (Unaudited)

7. Accounts receivable and other assets

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Financial assets			
Due from the Ultimate Parent Company (net of discount and provision)	63,071	51,460	10,981,721
Due from other related parties	1,507,916	1,392,809	537,747
Due from future trade clients	4,706,557	3,228,191	4,812,463
Due on sale of foreign investment properties (net)	6,402,575	8,174,920	7,889,476
Due on sale of local investment properties	1,150,000	1,150,000	-
Due from investment brokerage companies	2,237,991	2,090,528	9,049,684
Accrued income	1,283,988	1,240,977	1,614,085
Advance payments to acquire investments	500,000	500,000	1,863,314
Other financial assets	1,943,033	1,408,757	401,793
	<u>19,795,131</u>	<u>19,237,642</u>	<u>37,150,283</u>
Non financial assets			
Advance payments to acquire properties	-	-	800,000
Other assets	1,063,652	646,521	1,693,888
	<u>1,063,652</u>	<u>646,521</u>	<u>2,493,888</u>
	<u>20,858,783</u>	<u>19,884,163</u>	<u>39,644,171</u>

Due from the Ultimate Parent Company is shown net of discount of KD Nil (31 December 2012: KD Nil and 31 March 2012: KD 737,710). The effect of unwinding of this discount for the period ended 31 March 2013 amounting to KD Nil (31 December 2012: KD 942,135 and 31 March 2012: KD 204,425) is recognised as other income (note: 3).

Due on sale of foreign investment properties has been discounted based on an effective interest rate of 5.5% p.a to give effect to the deferred payment term. The effect of unwinding of discount on this receivable amounted to KD 70,921 for the period ended at 31 March 2013 (31 December 2012: KD 282,458 and 31 March 2012: 70,042), recognised in other income (note 3).

8. Available for sale investments

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Quoted shares	47,011,045	48,947,092	58,014,146
Unquoted shares	25,145,759	25,127,946	10,315,259
Funds (foreign)	7,833,508	7,762,390	7,659,770
	<u>79,990,312</u>	<u>81,837,428</u>	<u>75,989,175</u>

- Available for sale investments include investments in unquoted shares and foreign funds where their fair values cannot be reliably determined and as a result investments with a carrying value of KD 6,111,350 (31 December 2012: KD 6,031,473 and 31 March 2012: KD 3,885,420) are carried at cost. The Group's management is not aware of any circumstance that would indicate impairment/ further impairment in value of these investments.
- Quoted shares with a fair value of KD 30,812,014 (31 December 2012: KD 30,804,358 and 31 March 2012: 12,292,702) are secured against bank loans (note 10).
- During the period, the Group recognized an impairment loss of KD 130,087 (31 December 2012: KD 4,152,989 and 31 March 2012: KD 1,739,014) for certain local quoted shares as the market value of these shares at the reporting date declined significantly below their costs. Further, the Group also recognized an impairment loss of KD 49,849 (31 December 2012: KD 973,927 and 31 March 2012: KD NIL) against certain unquoted shares based on estimates made by management as per information available to them at the reporting date.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2013 (Unaudited)

9. Investment properties

Investment properties comprise of land and buildings in the following countries:

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Kuwait	16,445,750	16,430,000	13,816,650
Jordan	319,506	315,156	353,899
	<u>16,765,256</u>	<u>16,745,156</u>	<u>14,170,549</u>

Investment properties amounting to KD 8,200,000 (31 December 2012: KD 8,200,000 and 31 March 2012: KD Nil) are secured against bank loans (refer note 10).

The consideration due on sale of the Group's investment property in the Kingdom of Saudi Arabia amounting to KD 12,404,655 is due in installments. Out of the consideration due, KD 5,901,425 (31 December 2012: KD 4,099,718 and 31 March 2012: KD 4,099,718) was settled in cash and buyer agreed to partially settle the balance due by transferring another real estate property situated in Saudi Arabia which has been valued at KD 2,330,571. The remaining balance due on sale of investment property is included in account receivables and other assets (Note 7) and is due to be settled in November 2013.

The legal formalities with regard to the transfer of the real estate property to the Group are in progress.

10. Borrowings from banks and financial institutions

			Kuwaiti Dinars		
	Effective interest/ cost rate per annum (%)	Security	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
<i>Short term</i>					
Loans payable - KD	-	Unsecured	-	-	36,574,000
Loans payable - KD	-	Secured	-	-	3,540,000
Wakala payable - KD	-	Unsecured	-	-	44,000,000
Loans payable - JD	-	Secured	-	96,364	366,422
			-	96,364	84,480,422
<i>Long term</i>					
Loans payable – KD	3.25	Secured	103,360,500	103,360,500	73,495,000
Wakala payable - KD	3.25	Secured	39,600,000	44,000,000	-
			142,960,500	147,360,500	73,495,000
			142,960,500	147,456,864	157,975,422

The above loans are due as follows:

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Short term loans due within one year	-	96,364	84,480,422
<i>Long term loans</i>			
Current portion due within one year	14,775,500	19,175,500	7,349,500
Due after more than one year	128,185,000	128,185,000	66,145,500
	<u>142,960,500</u>	<u>147,456,864</u>	<u>157,975,422</u>

- Short term loan amounting to KD Nil (31 December 2012: KD Nil and 31 March 2012: KD 3,540,000) are secured by investments at fair value through profit or loss (note 6) and available for sale investments (note 8).
- Long term loans amounting to KD 142,960,500 (31 December 2012: KD 147,360,500 and 31 March 2012: 73,495,000) are secured by investment at fair value through profit or loss (note 6), available for sale investments (note 8) and investment properties (note 9).

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2013 (Unaudited)

- c. During 2011 and 2012, the Group restructured its financing arrangements with local banks and accordingly loans amounting to KD 142,960,500 (net of repayment of KD 15,589,800) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be fully secured. As of 31 March 2013, these are partly secured (notes 6,8 and 9) and the process of identification and securitization of the required balance investment portfolios is currently underway.

11. Share capital

- a. The authorized and issued share capital of the Parent Company as at 31 March 2013 comprises of 375,602,510 shares of 100 Fils each (31 December 2012: 375,602,510 of 100 fils each and 31 March 2012: 750,000,000 of 100 Fils each), fully paid up in cash.
- b. The shareholders of the Parent Company at their Extra Ordinary General Meeting held on 25 June 2012 approved set off of accumulated losses of KD 37,536,742 as at 31 December 2011 against the share capital (KD 37,439,749), share premium (KD 2,486,025), treasury shares (KD 2,460,353) and gain on sale of treasury shares reserve (KD 71,321). The certificate of capital reduction was issued by the Ministry of Commerce and Industry on 16 September 2012.

12. Segment analysis

The Group is organized into segments that engage in business activities which earns revenue and incurs expenses. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. For the purposes of segment reporting the management has grouped the business units into the following operating segments:

- Domestic & GCC investments - Comprising of investment activities in the Kuwait and GCC
- International investments - Comprising of investment activities outside the GCC and Kuwait

Segment results include operating revenue and expenses directly attributable to a segment. Net operating income includes operating revenue directly attributable to a segment. Segment results include revenue and expense directly attributable to each reporting segment as the Group does not have any inter segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

Segmental information for the periods ended 31 March 2013 and 31 March 2012 are as follows:

Three months ended 31 March 2013 (unaudited)

	Kuwaiti Dinars		
	Domestic & GCC	International	Total
Income	2,247,811	1,900,832	4,148,643
Share of results of associates	88,221	1,634,676	1,722,897
Impairment in value of available for sale investments	(179,936)	-	(179,936)
Profit for the period	(235,197)	1,728,896	1,493,699
Total assets	153,314,108	64,566,066	217,880,174
Total liabilities	148,557,763	872,133	149,429,896
Net assets	4,756,345	63,693,933	68,450,278

Three months ended 31 March 2012 (unaudited)

	Kuwaiti Dinars		
	Domestic & GCC	International	Total
Income	4,622,757	2,561,633	7,184,390
Share of results of associates	403,451	1,716,290	2,119,741
Impairment in value of available for sale investments	(1,739,014)	-	(1,739,014)
Profit for the period	1,784,647	655,436	2,440,083
Total assets	165,401,569	65,030,871	230,432,440
Total liabilities	165,326,721	1,280,913	166,607,634
Net assets	74,848	63,749,958	63,824,806

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2013 (Unaudited)

13. Related party transactions

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

Significant related party transactions and balances are as follows:

Interim condensed consolidated statement of financial position	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Due from related parties and the Ultimate Parent Company			
- Due from Ultimate Parent Company (note 7) (net)	63,071	51,460	10,981,721
- Due from an associate	1,150,000	1,150,000	-
- Due from related party	257,916	242,809	537,747
- Accrued management fees	580,716	573,613	964,916
Due to related parties	1,574,230	320,803	128,603
Purchase of available for sale investment from related party	-	13,800,000	-
Kuwaiti Dinars			
Three months ended 31 March (Unaudited)			
Interim condensed consolidated statement of income			
Management and placement fees			
- earned from the Ultimate Parent Company		10,354	13,596
- earned from other related parties		19,487	93,007
Effect of un-winding of discount on receivables		-	204,425
Reversal of impairment provision on account receivable		-	2,500,000
Key management compensation			
Short term employee benefits		47,100	47,100
End of service benefits		5,918	5,984
		53,018	53,084

14. Financial instruments

14.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial information may also be categorized as follows:

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Loans and receivables:			
Cash and bank balances (note 5)	17,497,257	16,381,419	16,765,935
Short term deposits (note 5)	301,142	325,318	2,125,992
Murabaha and wakala investment (note 5)	8,248,175	11,293,421	7,295,148
Accounts receivable and other assets (note 7)	19,795,131	19,237,642	37,150,283
Investments at fair value through profit or loss: (note 6)			
Trading securities	20,746,090	20,701,625	21,547,649
Investments designated as carried at fair value through profit or loss	2,764,880	2,723,953	2,814,902
Available for sale investments (note 8)	79,990,312	81,837,428	75,989,175
	149,342,987	152,500,806	163,689,084
Other financial liabilities:			
Due to banks (note 5)	-	-	985,524
Accounts payable and other liabilities	5,967,282	4,061,806	7,171,154
Borrowings from banks and financial institutions (note 10)	142,960,500	147,456,864	157,975,422
Provision for end of service indemnity	319,570	299,917	292,990
	149,247,352	151,818,587	166,425,090

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2013 (Unaudited)

Fair value represents amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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 8 to the interim condensed consolidated financial information the carrying amounts of financial assets and liabilities approximate their fair values.

14.2 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

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

31 March 2013

	Kuwaiti Dinars			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Investments at fair value through profit or loss				
- Quoted shares	20,746,090	-	-	20,746,090
- Local funds	-	2,764,880	-	2,764,880
Available for sale investments				
- Quoted shares	47,011,050	-	-	47,011,050
- Unquoted shares	-	-	24,382,307	24,382,307
- Foreign funds	-	2,485,605	-	2,485,605
Total assets	67,757,140	5,250,485	24,382,307	97,389,932

Measurement at fair value

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

a) Quoted shares

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the interim condensed consolidated statement of financial position date.

b) Foreign funds

The underlying investments of foreign funds primarily comprise of foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) Unquoted shares

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

15. Commitments and contingencies

At the statement of financial position date, the Group had capital commitments of KD 3,481,915 towards available for sale investments (31 December 2012: KD 3,593,456 and 31 March 2012: KD 2,738,619).

On 1 December 2011, the Parent Company's Jordanian subsidiary, Noor Jordanian Kuwaiti Financial Investment Company Limited ("the Seller") disposed of its entire equity interest in one of its Jordanian subsidiary (Noor Jordan Kuwait Transport Company JSCC) to nine individual buyers ("the Buyers"). Subsequent to the transfer of shares and control to the Buyers, they have defaulted on fulfilling the terms and conditions of the sale agreement and also filed legal cases against the Seller. The Seller also filed legal cases against the Buyers. The Parent Company has also provided a corporate guarantee to this disposed subsidiary for a loan obtained by them of JD 718,000 (KD 280,000) from a local Jordanian bank at the time of the sale transaction. The Parent Company was informed that this loan is not being serviced by the Buyer and is of the opinion that it would not incur any loss on account of this.

16. Fiduciary assets

The Group manages mutual funds and portfolios on behalf of the Ultimate Parent Company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 March 2013 amounted to KD 98,667,429 (31 December 2012: KD 106,540,305 and 31 March 2012: KD 154,728,095) of which assets managed on behalf of the Ultimate Parent Company and other related parties amounted to KD 73,833,141 (31 December 2012: KD 83,096,778 and 31 March 2012: KD 123,067,665).

17. Comparative information

Certain comparative amounts for the previous period have been reclassified to be consistent with the presentation for the current period. Such classifications did not affect previously reported results, total assets and equity.