Investment Dar Bank B.S.C. (c)

Condensed consolidated interim financial information for the quarter and nine months ended 30 September 2013 (Unaudited)

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Condensed consolidated interim financial information for the quarter ended 30 September 2013
(Unaudited)

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Commercial registration no.	66163 obtained on 8 August 2007	
Board of Directors	Ahmed AbdulAziz AlShae'a	- Chairman
	Abdullah Mishary Al Homaidhi	- Deputy Chairman
	Mohammed Al Mutaweh	- Chief Executive Officer
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Review report on the condensed interim financial information to the Board of Directors of Investment Dar Bank B.S.C. (c)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Investment Dar Bank B.S.C. (c) ("the Bank") and its subsidiaries (together referred as "the Group") as at 30 September 2013, the condensed consolidated interim statement of income, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in shareholders' equity, the condensed consolidated interim statement of cash flows for the nine months and quarter then ended, and selected explanatory notes. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Group. Our responsibility is to express a conclusion on this condensed consolidated interim 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 condensed consolidated 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.

Basis for qualified conclusion

As detailed in Note 7, the Group has balances of Wakala and Murabaha placements totaling US$91,688,176 with the Parent Company and related parties of the Parent Company. Impairment provisions totaling US$66,288,835 have been applied to those balances, leaving balances of US$25,399,341 as assets in the condensed consolidated statement of financial position as of 30 September 2013.

The Group has acted as an agent for Wakala investments totaling US$555,394,926 where various investors and a financial institution have placed funds with the Parent Company and related parties of the Parent Company. The Parent Company and the related parties defaulted on repayments. The repayments have now been rescheduled under a stipulated Court judgment served on the Parent Company by the Kuwaiti Special Circuit Court of Appeal. The first tranch of repayment of the remaining Wakala contracts placed with the Parent Company were due on 30 June 2013. These payments have not been received on the due date but subsequently the Parent Company has been partially released by the restricted investors however the Group itself is still in the process of being released. Any default by the Parent Company and the related parties may result in claims against the Group as an agent.

In the absence of audited financial information from the Parent Company and related parties, we have been unable to conclude on the ability of the Parent Company and related parties to make these repayments and assess the recoverability of the unprovided Wakala and Murabaha placements of US$25,399,341. Failure of the Parent Company and related parties to make repayments to the Group and restricted investment account holders would impact on the Group's ability to continue as a going concern. The first instalment which fell due on 30 June 2013 has been agreed to be settled in kind. The Bank received an offer from the Parent Company to settle the first tranch by transferring a right to use of a cash generating asset in Kuwait. The Bank has accepted the offer however given that the right to use has not yet been legally transferred, the Bank has not recorded the underlying asset in its books. As the right to use was valued higher than the first tranch payable by the Parent Company, the excess amount was paid by the Bank to the Parent Company.

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Review report on the condensed interim financial information to the Board of Directors of Investment Dar Bank B.S.C. (c)

Basis for qualified conclusion (continued)
As decribed in Note 7, during the year ended 31 December 2012, an overdue Murabaha debt receivable of US$50,986,836 has been settled through a transfer of assets to the Group. The Group had US$15,705,723 provision raised against this debt as of 31 December 2012. The assets comprise a majority shareholding in two companies whose principal assets are ownership rights over certain real estate assets. Absolute title to this real estate is held in trust by a third party, pending sub-division of title. The Group has consolidated the financial statements of the underlying real estate assets companies, valuing the real estate as being equivalent to the value of the outstanding debt less impairment provision at the date of settlement amounting to US$35,281,113. As explained in note 1, due to a lack of information at the time of preparing the financial statements, consolidation of the investment property in one subsidiary has been made net of minority interests, hence no minority interest is shown on the statement of finanacial position, which is not in accordance with Financial Accounting Standard 23 issued by the Accounting and Auditing Organization for Islamic Financial Institutions. This standard requires a line by line consolidation. Embedded in the settlement is a put option which is exercisable by the Group at any time after two years from the date of the settlement contract as detailed in Note 7 (d). Before settlement, the counterparty had the real estate assets valued at US$73,757,898 by two valuers. However, given no recent transactions or active market for the underlying real estate assets, we are unable to conclude on the fair value of these real estate assets.

We also draw your attention to Note 10 which contains management's view on the going concern basis of the Group.

Qualified conclusion
Based on our review, with the exception of the matters described in the preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 September 2013, and of its financial performance and its cash flows for the quarter then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Group.

BDO

Manama, Kingdom of Bahrain
12 November 2013

Investment Dar Bank B.S.C. (c)
Condensed consolidated interim statement of financial position as at 30 September 2013
(Unaudited)
(Expressed in US Dollars)

	Notes	Unaudited 30 September 2013	Audited 31 December 2012
ASSETS			
Cash and bank balances	4	6,546,414	1,791,129
Prepayments and other assets	5	7,507,035	701,907
Available-for-sale investments	6	5,261,436	31,118,166
Wakala and murabaha placements	7	25,399,341	26,110,068
Investment in real estate held-for-use	8	35,281,113	37,421,373
Property and equipment		17,167,162	17,180,758
Total assets		97,162,501	114,323,401
EQUITY AND LIABILITIES			
Liabilities			
Accruals and other payables		2,470,844	2,485,349
Equity			
Share capital	9	200,000,000	200,000,000
Statutory reserve		851,737	851,737
Fair value reserve		1,322,950	268,178
Accumulated losses		(107,483,030)	(89,281,863)
		94,691,657	111,838,052
Total liabilities and equity		97,162,501	114,323,401
Off-statement of financial position items			
Restricted investment accounts:			
- others	11	509,168,563	512,871,338
- financial institutions	11	46,226,363	46,226,363

The unaudited condensed consolidated interim financial information, set out on pages 5 to 18, was approved for issue by the Board of Directors on 12 November 2013 and signed on their behalf by:

Ahmed AbdulAziz AlShae'a	Abdullah Mishary Al Homaidhi	Mohammed Abdulrahman Al Mutaweh
Chairman	Deputy Chairman	Director and Chief Executive Officer

Investment Dar Bank B.S.C. (c)
Condensed consolidated interim statement of income for the quarter and nine months ended 30 September 2013
(Unaudited)
(Expressed in US Dollars)

	Notes	Quarter ended 30 September 2013	Quarter ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Income					
Income from Wakala and Murabaha placements	7(c)	-	-	432,966	612,598
Other income		500,000	500,000	505,305	500,000
Profit on settlement of Wakala		-	-	-	1,317,345
		500,000	500,000	938,271	2,429,943
Expenses					
Staff cost		(313,725)	(249,168)	(863,228)	(767,040)
Other operating expenses		(106,145)	(54,822)	(559,258)	(446,747)
Impairment on receivables	8(a)	-	-	(1,219,402)	-
Impairment on available-for-sale investments	6	(657,998)		(657,998)	-
Loss on sale of available-for-sale investments	6	-	-	(14,123,402)	-
Loss on sale of investment in real estate held-for-use	8(a)	-	-	(572,457)	-
Impairment on Wakala and Murabaha placements	7(c)	-	-	(1,143,693)	-
Total expenses		(1,077,868)	(303,990)	(19,139,438)	(1,213,787)
Net (loss)/profit for the period		(577,868)	196,010	(18,201,167)	1,216,156
Basic and diluted earnings per per share (in US cents)	12	(0.29)	0.10	(9.10)	0.61

Investment Dar Bank B.S.C. (c)
Condensed consolidated interim statement of comprehensive income for the quarter and nine months ended 30 September 2013
(Unaudited)
(Expressed in US Dollars)

	Quarter ended 30 September 2013	Quarter Ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Net (loss)/profit for the period	(577,868)	196,010	(18,201,167)	1,216,156
Other comprehensive income				
Net movement in the fair value reserve on sale of available for sale investments	-	-	837,429	-
Net movement in the fair value reserve on impairment of available-for-sale investments	(65,948)	-	(65,948)	-
Unrealised fair value gain on available for sale investments	9,524	657,041	283,291	683,758
Other comprehensive income for the period	(56,424)	657,041	1,054,772	683,758
Total comprehensive (loss)/income for the period	(634,292)	853,051	(17,146,395)	1,899,914

Investment Dar Bank B.S.C. (c)
Condensed consolidated interim statement of changes in shareholders' equity for the nine months ended 30 September 2013
(Unaudited)
(Expressed in US Dollars)

	Share capital	Statutory reserve	Fair value reserve	Retained earnings & (accumulated losses)	Total
At 31 December 2011	200,000,000	773,071	(853,607)	(89,989,857)	109,929,607
Total comprehensive income for the period	-	-	683,758	1,216,156	1,899,914
At 30 September 2012	200,000,000	773,071	(169,849)	(88,773,701)	111,829,521
At 31 December 2012	200,000,000	851,737	268,178	(89,281,863)	111,838,052
Total comprehensive loss for the period	-	-	1,054,772	(18,201,167)	(17,146,395)
At 30 September 2013	200,000,000	851,737	1,322,950	(107,483,030)	94,691,657

Investment Dar Bank B.S.C. (c)
Condensed consolidated interim statement of cash flows for the nine months ended 30 September 2013
(Unaudited)
(Expressed in US Dollars)

	Notes	Unaudited Nine months period ended 30 September 2013	Unaudited Nine months period ended 30 September 2012
Operating activities			
Net (loss)/profit for the period		(18,201,167)	1,216,156
Adjustments for:			
Depreciation		22,719	49,336
Income from Wakala and Murabaha placements accrued		(432,966)	(612,598)
Impairment on Wakala and Murabaha placements	7(c)	1,143,693	-
Impairment on receivables	8(a)	1,219,402	-
Loss on sale of available for-sale-investments	6	14,123,402	-
Impairment on available-for-sale-investments	6	657,998	-
Loss on sale of investment in real estate held-for-use	8(a)	572,457	-
Profit on settlement of Wakala		-	(1,317,345)
Changes in operating assets and liabilities:			
Prepayments and other assets		(3,660,288)	(25,514)
Accruals and other liabilities		(14,505)	16,258
Net cash used in operating activities		(4,569,255)	(673,707)
Investing activities			
Cash proceeds on sale of available-for-sale investments		8,985,262	-
Cash proceeds on sale of investment in real estate held-for-use		348,401	-
Purchase of equipment		(9,123)	-
Net cash provided by investing activities		9,324,540	-
Net increase/(decrease) in cash and cash equivalents		4,755,285	(673,707)
Cash and cash equivalents, at the beginning of the period		1,791,129	1,645,401
Cash and cash equivalents, at the end of the period	4	6,546,414	971,694

Non-cash transactions not included in the cash flow

The proceeds for the sale of investment in real estate held-for-use and available for-sale-investments were partly made in kind. As these are non-cash transactions, these have not been included in the cash flows statement.

(Expressed in US Dollars)

1 Organisation and activities

Investment Dar Bank B.S.C. (c) ("the Bank") is a Bahraini closed shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 66163 obtained on 8 August 2007. The "Parent Company" of the Bank is The Investment Dar K.S.C., a Kuwaiti incorporated Company listed on Kuwait Stock Exchange, which owns directly and indirectly more than 50% of the share capital of the Bank.

This financial information has been prepared on a consolidated basis and comprises the financial information of the Bank and its subsidiaries (together referred as the "Group").

The Bank operates as an Islamic Wholesale Bank under a license granted by the Central Bank of Bahrain ("CBB") and accordingly activities are regulated by the CBB and supervised by a Religious Supervisory Board ("the Shari'a Board").

The principal activities of the Bank include investment banking services, which comply with the Islamic rules and principles according to the opinion of the Bank's Shari'a Board.

As at 30 September 2013, the Bank owned the following subsidiaries:

Name	Country of incorporation	Ownership interest	Principal activity
Darco Real Estate Investment Co. W.L.L.	Kingdom of Bahrain	100%	Buying and selling properties, shares and securities, management and development of private property, investment in local industries and promotion of foreign products and services
Al Honaniya Real Estate Co. W.L.L.	Kuwait	100%- Indirect holding	Real estate
North Victoria Limited*	Jersey,Channel Islands	100%	Real estate
Gibson North Limited*	Jersey, Channel Islands	77.425%	Real estate

* The Bank acquired the shares of North Victoria Limited and Gibson North Limited ("these companies") as part of a settlement of a Murabaha placement with a related party of the Parent Company during the year 2012 (Refer Note 7(d)). As per the settlement contract, the liabilities as on the date of settlement in the books of these companies were not transferred to the Bank. The main asset in the books of these companies was the value of islands in "The World" (Refer Note 8(b)) which have been treated as investment in real estate held-for-use on consolidation. The value of the investment properties was restricted to the carrying value of the Murabaha carried in the books of the Bank prior to settlement. The value of the island held by Gibson North Limited has been consolidated as the Bank's share of 77.425% of the net assets, net of minority.

2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2012 have been prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standards exist, the Company uses the relevant International Financial Reporting Standards ("IFRS").

2 Basis of preparation (continued)

Therefore, in absence of relevant standards in AAOIFI relating to interim financial statements, the guidance from International Accounting Standard 34 - "Interim Financial Reporting" is used in preparation of these interim condensed consolidated financial information for the nine months and quarter ended 30 September 2013.

3 Accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the audited financial statements of the Group prepared as at, and for the year ended 31 December 2012, as described in those consolidated financial statements. The condensed consolidated interim financial information should therefore be read in conjunction with the audited consolidated financial statements prepared as at, and for the year ended, 31 December 2012, which have been prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and International Financial Reporting Standards.

First time adoption

During 2013, a new accounting standard was issued by AAOIFI, Financial Accounting Standard No. 26 "Investment in real estate" applicable to the Group was adopted which requires investments in real estate to be initially measured at cost and subsequently at cost or fair value. The Group decided to opt for the fair value model allowed in the standard and considers its investments to be classified as investments in real estate held-for-use category given that they do not intend to sell them in the next twelve months.

The standard requires this change to be applied retroactively in accordance with the transitional provisions of Financial Accounting Standard No. 26 " Investment in real estate" and Financial Accounting Standard No. 1 "General Presentation and Disclosure in the Financial Statements of Islamic Banks and Finanacial institutions". The requirement is to restate the opening balances of last period presented. The Group only acquired investments in real estate held-for-use from the first half of 2012. Therefore, there is no need for adjustment in opening retained earnings as of 1 January 2012. As of 31 December 2012, the Group held only two assets (a land in the Shuwaikh industrial area and two islands in "The World" project in Dubai) as disclosed in note 8 which were recorded at the book value at the time of settlement. The land in the Shuwaik industrial area was disposed off during the year and due to unreliable information, as explained in note 8, the book value of the two islands in "the World" project were considered to the best estimate of the fair value. Accordingly, no "Property fair value reserve" has been created until 30 September 2013.

Overall there has been no impact on the financial position or results of the Group upon adoption of this new standard except for the change in the presentation of these assets classified as investments in real estate held-for-use.

(Expressed in US Dollars)

4 Cash and bank balances

	Unaudited 30 September 2013	Audited 31 December 2012
Balances with banks	7,278,744	2,522,233
Cash in hand	1,295	2,521
Impairment of balance held with a financial institution	(733,625)	(733,625)
Total	6,546,414	1,791,129

Impairment relates to balances held with a financial institution, which the management has significant doubts in recovering.

5 Prepayments and other assets

	Unaudited 30 September 2013	Audited 31 December 2012
Wakala fees receivables	1,253,357	1,262,815
Less: Provision on doubtful wakala fees receivables	(586,071)	(586,071)
Receivable against disposal of available-for-sale investments (Note 6)	3,144,840	-
Receivable due on murabaha settlement	2,000,000	2,500,000
Less: Provision on murabaha settlement	(2,000,000)	(2,500,000)
Rent receivable	136,870	142,175
Less: Provision on rent receivable	(136,870)	(142,175)
Receivable from Parent Company on sale of land (Note 8(a))	1,219,401	-
Less: Provision on receivable from Parent Company on sale of land (Note 8(a))	(1,219,401)	-
Advance to Parent Company (Note 7(a))	3,639,430	-
Prepaid expenses	55,479	25,163
Total	7,507,035	701,907

6 Available-for-sale investments

	Unaudited 30 September 2013	Audited 31 December 2012
Opening balance	31,118,166	29,996,381
Disposal	(25,416,075)	-
Impairment	(657,998)	-
Net movement in the fair value reserve on impairment of available-for-sale investments	(65,948)	-
Unrealised fair value gain	283,291	1,121,785
Closing balance	5,261,436	31,118,166

(Expressed in US Dollars)

6 Available-for-sale investments (continued)

The available-for-sale investments include unquoted shares of four companies in Kuwait. These shares have been fair valued during the period based on the latest audited financial statements of the investee companies or the indicative prices available through the secondary markets and the Kuwaiti Stock exchange. Available-for-sale investments are denominated in Kuwaiti Dinars.

During the period, an unquoted equity investment in a company in the Kingdom of Saudi Arabia with a carrying value of US$25,416,075 has been sold, resulting in a loss of US$14,123,402. Of the sale consideration, an amount of US$3,144,840 is yet to be received from the buyer (Note 5). During the quarter, the values of two unquoted shares have been impaired by US$657,998 resulting in a net movement on fair value reserve on impairment of US$65,948.

	Unaudited 30 September 2013	Audited 31 December 2012
Analysis of investments		
Shares listed on Kuwaiti stock exchange	3,996,995	3,723,228
Unquoted equity investments	1,264,441	27,394,938
	5,261,436	31,118,166

Shares listed on the Kuwaiti Stock exchange are fair valued quarterly at the close of business with reference to the listed prices.

7 Wakala and Murabaha placements

	Unaudited 30 September 2013	Audited 31 December 2012
Gross commodity Wakala	78,433,153	91,255,210
Gross commodity Murabaha	13,255,023	-
	91,688,176	91,255,210
Less: Impairment loss	(66,288,835)	(65,145,142)
	25,399,341	26,110,068

Impairment losses charged to the consolidated statement of income are as follows:

	Unaudited 30 September 2013	Audited 31 December 2012
Opening balance	65,145,142	82,141,865
Impairment loss for the period/year	1,143,693	-
Less: Wakala settled	-	(1,291,001)
Less: Murabaha settled	-	(15,705,722)
Closing balance	66,288,835	65,145,142

(Expressed in US Dollars)

7 Wakala and Murabaha placements (continued)

The Wakala and Murabaha contracts are placements with the Parent Company and related parties of the Parent Company. All of these placements were overdue as at 30 September 2013. The Kuwaiti Special Circuit Court of Appeal approved a restructuring plan on 2 June 2011 under the protection of the Kuwait Financial Stability Law whereby the Parent Company and a related party will settle all liabilities in five tranches by 30 June 2017, with profits. The Bank and its subsidiary have received a notarized stipulated court judgment letter from the Parent Company and the related party scheduling settlement of these debts plus profits. The profits resulting from the restructuring plan up to 30 September 2013 amounts to US$10,630,682 (2012: US$8,977,736). The Group has prudently decided not to account for this revenue until the cash is received, and therefore, these amounts are currently excluded from the financial results.

The details of the amounts due on maturity of these Wakala and Murabaha placements along with the contractual due dates are:

	Amount accrued	Impairment	Net	
Parent Company (Wakala placements)	24,088,025			Refer 7(a)
Parent Company (Wakala placements)	10,551,250			Refer 7(a)
Parent Company (Wakala placements)	10,400,978			Refer 7(a)
	45,040,253	42,446,359	2,593,894	
Related parties to the Parent Company (Wakala placements)	33,392,900	18,443,394	14,949,506	Refer 7(b)
Related parties to the Parent Company (Murabaha placements)	13,255,023	5,399,082	7,855,941	Refer 7(c)
	46,647,923	23,842,476	22,805,447	
	91,688,176	66,288,835	25,933,341	

Based on Shari'a principles, the Group has not accrued any profit on the matured Wakala and Murabaha placements with the related parties to the Parent Company, after the maturity date.

7(a) *Wakala and Murabaha placements with the Parent Company*

The Kuwaiti Special Circuit Court of Appeal approved the restructuring plan on 2 June 2011 under the protection of the Kuwait Financial Stability Law whereby the Parent Company will settle all liabilities to the Bank in five tranches by 30 June 2017 together with profits. Under the stipulated court judgment, the Bank is entitled to profit starting from 1 January 2009 on the overdue Wakala trades at a profit rate of 5% per annum. The Bank has not accrued for this profit, and will conservatively account for the profit only when received. As referred to in Note 9, the first tranch payment amounting to US$2,518,205 was due from the Parent Company on 30 June 2013, which was not paid on that date. Subsequent to the the second quarter, the Bank received an offer from the Parent Company to settle the first tranch in kind by offering a cash generating asset (right to use of a property in Kuwait). The Bank has accepted the offer however as at 30 September 2013 the right to use has not yet been legally transferred. Accordingly, the Bank has not recorded the transaction in its books and will only record the settlement once the legal formalities are completed. As the value of the right to use was valued higher than the first tranch payable by the Parent Company, the excess amount has been paid by the Bank to the Parent Company. This amount of US$3,639,430 has been treated as an advance until the right to use is legally transferred to the Bank (Note 5).

(Expressed in US Dollars)

7 Wakala and Murabaha placements (continued)

7(b) *Wakala placements a related party of the Parent Company*

The Kuwaiti Special Circuit Court of Appeal approved a restructuring plan on 27 December 2012 under the protection of the Kuwait Financial Stability Law whereby a related party of the Parent Company will settle all liabilities to the bank by 2018 together with profits. However, no stipulated judgment has been received from the Kuwaiti Court as at the period end.

7(c) *Murabaha placements with a related party of the Parent Company*

The Group was in the process of negotiating a settlement of a Wakala placement of US$12,822,057 which was overdue from a related party. During the period, the related party, through an agency contract, transferred the rights to plots of land as part of the settlement. However, title to the land has not yet been transferred to the Bank. Accordingly, the value of the land has not been recognised in the accounts. Based on this settlement, as all the conditions in the original contract entered in January 2009 have been satisfied, the Wakala has been converted into a Murabaha. During the period, profits accruing on the Murabaha amounting to US$432,966 have been accounted and have also been impaired in proportion to the provision already recorded on the Murabaha placement, amounting to US$143,693. The management also created a further impairment of US$1,000,000.

7(d) *Murabaha placements settled with a related party of the Parent Company*

During the year ended 31 December 2012, a Murabaha placement with a related party of the Parent Company was settled. The settlement was made by transferring the majority shareholding in two companies to the Group whose principal assets are ownership of real estate. The Group now owns shares in the following companies:

	Ownership interest
North Victoria Limited	100%
Gibson North Limited	77.425%

The average of two valuations of these islands amounted to US$73,757,898 obtained by the counterparty as on 31 December 2012 which was higher than the value recorded on settlement. However, the value of the land held by these subsidiaries and recorded on settlement has been restricted to the carrying value of the Murabaha prior to settlement i.e. debt carrying value of US$50,986,836 less impairment provision of US$15,705,723. Accordingly, no profit or loss has been recognised on this settlement.

Embedded in the settlement contract is a put option which shall subsist and continue indefinitely in favour of the Group. This put option is exercisable at any time after two years from signing of the contract, resulting in the purchase of the settlement shares by the counterparty at price equivalent to settlement amount i.e. US$73,757,898. Absolute title to this real estate is held in trust by a third party, pending sub-division of title (Note 8(b)).

(Expressed in US Dollars)

8 Investments in real estate held-to-use

	Unaudited 30 September 2013	Audited 31 December 2012
Opening balance	37,421,373	-
Disposal during the period	(2,140,260)	-
Land received in settlement recorded at fair value	-	37,421,373
Closing balance	35,281,113	37,421,373

Investments in real estate held-to-use represent:

(a) Land in the Shuwaikh industrial area, was received as part of the settlement of the Wakala placed by the Subsidiary "Darco Real Estate W.L.L." with the Parent Company. The title of the underlying land is was in process of being transferred to the Group. During the period, this land was disposed off by the Parent Company on behalf of the Group resulting in a realised loss of US$572,457. The consideration for the sale was partly received in cash and the balance amount of US$1,219,401 receivable from the Parent Company has been impaired in line with the majority of receivables from the Parent Company.

(b) Two islands in "The World" project in Dubai that were received in 2012 as part of the settlement of the Murabaha placement with a related party of the Parent Company (Note 7(d)). The value has been restricted to the net book value of the Murabaha prior to the settlement amounting to US$35,281,113.

The management has classified the investments in real estate as held-to-use and have valued the properties at fair value (being the book value of the Murabaha prior to the settlement). In the opinion of the management, the fair value of the real estate investments at the end of the quarter is not expected to be materially different from their carrying amounts.

9 Share capital

	Unaudited 30 September 2013	Audited 31 December 2012
Authorised		
1 Billion (2012: 1 Billion) shares of US$1 each	1,000,000,000	1,000,000,000
Issued and fully paid-up		
200 million (2012: 200 million) shares of US$1 each	200,000,000	200,000,000

10 Going concern and events subsequent to the date of this statement of financial information

1. *Exposure to the Parent Company and related parties of the Parent Company*

The Group has significant exposures to its Parent Company and related parties of the Parent Company (26% of the total assets of the Group are Wakala and Murabaha placements with the Parent Company and related parties of the Parent Company). The Kuwaiti Special Circuit Court of Appeal approved a restructuring plan on 2 June 2011 under the protection of the Kuwait Financial Stability Law whereby the Parent Company will settle all liabilities in 5 tranches by 30 June 2017, with profits. The Bank and its subsidiary have received a stipulated judgment letter from the Parent Company. The stipulated judgment letter has been authenticated by the notarization office in the Ministry of Justice of Kuwait. The successful implementation of the restructuring plan has significantly improved the ability of the Parent Company to repay its creditors including the Group. However, the Group still has significant concentration risk associated to its exposure to the Parent Company and related parties, which may affect the going concern of the Group. The Group was due to receive the first tranch of payment as on 30 June 2013. These payments were not received. Subsequently, during the quarter, the Bank accepted an offer from the Parent Company to settle the first tranch in kind by transferring a cash generating asset (right to use of a property).

2. *Legal cases relating to off statement of financial position - Restricted investment accounts*

The Group has accepted US$555,394,926 (31 December 2012: US$559,097,701) from investors under a restricted Wakala (agency) investment contracts and has in turn placed these Wakala investments with its Parent Company and related parties of the Parent Company. As at 30 September 2013, US$555,394,926 (31 December 2012: US$559,097,701) of the restricted investment accounts on Wakala contracts due to institutions was overdue. Under the terms of the Parent Company restructuring plan approved by the Kuwaiti Special Circuit Court of Appeal on 2 June 2011 under the protection of the Kuwait Financial Stability Law, all Wakala contracts relating to individuals and certain corporate Wakala clients have been paid by 31 December 2012. The first tranch of repayment of the remaining Wakala contracts due to institutions placed with the Parent Company were due on at 30 June 2013. Subsequently, the Parent Company has been partially released by the restricted investors however the Group itself is still in the process of being released.

3. *Conclusion*

The Parent Company restructuring plan approved by the Kuwaiti Special Circuit Court of Appeal on 2 June 2011 under the protection of the Kuwait Financial Stability Law, has improved the financial stability and liquidity of the Group and of related parties of the Parent Company. The Board of Directors is confident of realising the Wakala and Murabaha placements from the Parent Company and related parties of the Parent Company.

Accordingly, the condensed consolidated interim financial information have been prepared on a going concern basis.

(Expressed in US Dollars)

11 Restricted investment accounts

	Others	
	Unaudited 30 September 2013	Audited 31 December 2012
Opening balance	512,871,338	645,208,379
Settled during the period/year	(3,702,775)	(132,337,041)
Closing balance	509,168,563	512,871,338

During the year ended 31 December 2012, the Bank terminated Wakala (agency) contracts with certain corporate Wakala clients amounting to US$132,337,041. Accordingly, the Bank has been provided with release letters from those clients.

During the period, a Wakala contract of US$3,702,775 has been settled and the Bank has been released from its responsibility as an agent.

The first tranch of repayment of the remaining Wakala contracts placed with the Parent Company were due on 30 June 2013. The Parent Company has been partially released by the restricted investors however the Group itself is still in the process of being released.

Wakala investments amounting to US$481,972,761, are placed with the Parent Company.

	Financial institutions	
	Unaudited 30 September 2013	Audited 31 December 2012
Closing balance	46,226,363	46,226,363

Wakala investments represent amounts received from the investors under Wakala contracts where the Bank acts as a Wakil (agent) and are in turn placed investments with the Parent Company and other entities on a Wakala basis.

12 Earnings per share

	Unaudited 30 September 2013	Unaudited 30 September 2012
Net (loss)/profit for the period	(18,201,167)	1,216,156
Weighted average number of shares outstanding	200,000,000	200,000,000
Earnings per share (in US cents)	(9.10)	0.61

The Group does not have any potentially dilutive ordinary shares; hence the diluted earnings and basic earnings per share are identical.

13 Interim results

The interim net profit for the quarter ended 30 September 2013 may not represent a proportionate share of the annual net profit or loss due to the variability in timing of the receipt of dividend and investment income.