Interim condensed consolidated financial information and review report

YIACO Medical Company – KSC (Closed) and Subsidiaries

Kuwait

31 March 2012 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
YIACO Medical Company - KSC (Closed)
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of YIACO Medical Company – KSC (Closed) (the "Parent Company") and its subsidiaries (together the "Group") as of 31 March 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". 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 International Accounting Standard 34, "Interim Financial Reporting".

Report on review of other legal and regulatory requirements

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

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Kuwait
10 May 2012

Interim condensed consolidated statement of income

	Notes	Three months ended 31 March 2012 (Unaudited) KD	Three months ended 31 March 2011 (Unaudited) KD
Revenue			
Sales		23,809,159	25,196,134
Cost of sales		(17,747,341)	(20,009,818)
Gross profit		6,061,818	5,186,316
Other operating income		107,055	99,412
Distribution costs		(1,010,940)	(916,530)
Administrative expenses		(3,065,476)	(2,752,171)
Allowance for bad and doubtful debts		(58,750)	(48,978)
Profit from operating activities		2,033,707	1,568,049
Dividend income		-	6,875
Loss on sale of property, plant and equipment		-	(30,937)
Share of results of associate	5	289,648	199,407
Net (loss)/gain on investments carried at fair value through statement of income		(7,700)	143,156
Finance costs		(169,998)	(135,706)
Profit for the period before income tax		2,145,657	1,750,844
Income tax for overseas subsidiaries		(16,373)	(9,820)
Profit before directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		2,129,284	1,741,024
Directors' remuneration		(5,250)	(5,250)
Provision for contribution to KFAS		(16,202)	(17,529)
Provision for NLST		(57,876)	(43,822)
Provision for Zakat		(20,254)	(20,379)
Profit for the period		2,029,702	1,654,044
Attributable to:			
Equity holders of the parent company		2,022,439	1,651,996
Non-controlling interests		7,263	2,048
		2,029,702	1,654,044
Basic and diluted earnings per share attributable to the equity holders of the parent company	4	12.26 Fils	10.01 Fils

The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2012 (Unaudited) KD	Three months ended 31 March 2011 (Unaudited) KD
Profit for the period	**2,029,702**	1,654,044
Other comprehensive loss:		
Exchange differences arising on translation of foreign operations	**(8,658)**	(59,239)
Other comprehensive loss for the period	**(8,658)**	(59,239)
Total comprehensive income for the period	**2,021,044**	1,594,805
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent company	**2,014,559**	1,600,522
Non-controlling interests	**6,485**	(5,717)
	2,021,044	1,594,805

The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	31 March. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	31 March. 2011 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		**8,721,792**	9,070,827	7,299,325
Inventory assigned to customers		**24,478**	26,419	56,212
Intangible assets		**1,184,368**	1,231,083	1,261,536
Investment in associate	5	**7,170,417**	6,880,769	6,191,054
Investments carried at fair value through statement of income		**1,126,400**	1,134,100	1,162,700
Available for sale investment		**78,120**	78,120	117,600
		18,305,575	18,421,318	16,088,427
Current assets				
Inventories		**21,871,627**	24,152,640	17,379,944
Accounts receivable and prepayments	6	**29,988,186**	25,524,536	28,990,143
Bank balances and cash		**7,612,898**	5,477,754	5,650,686
		59,472,711	55,154,930	52,020,773
Total assets		**77,778,286**	73,576,248	68,109,200
Equity and liabilities				
Equity				
Share capital		**16,500,000**	16,500,000	16,500,000
Statutory reserve		**3,187,576**	3,187,576	2,655,918
Voluntary reserve		**120,622**	120,622	120,622
General reserve		**637,472**	637,472	637,472
Foreign currency translation reserve		**6,692**	14,572	17,079
Retained earnings		**11,253,063**	9,230,624	8,030,741
Equity attributable to equity holders of the parent company		**31,705,425**	29,690,866	27,961,832
Non-controlling interests		**183,538**	177,053	192,560
Total equity		**31,888,963**	29,867,919	28,154,392
Non-current liabilities				
Murabaha payable	7	**174,774**	195,503	254,985
Employees' end of service benefits		**1,748,261**	1,665,345	1,419,739
		1,923,035	1,860,848	1,674,724
Current liabilities				
Accounts payable and accruals		**21,886,077**	24,769,038	23,369,211
Murabaha payable	7	**22,080,211**	17,078,443	14,910,873
		43,966,288	41,847,481	38,280,084
Total liabilities		**45,889,323**	43,708,329	39,954,808
Total equity and liabilities		**77,778,286**	73,576,248	68,109,200

Dr. Hamed A. Hamadah
Chairman & Managing Director

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Mr. Walid Abu Zaid
Chief Financial Officer

The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD	KD	KD
Balance at 1 January 2012 (Audited)	16,500,000	3,187,576	120,622	637,472	14,572	9,230,624	29,690,866	177,053	29,867,919
Profit for the period	-	-	-	-	-	2,022,439	2,022,439	7,263	2,029,702
Other comprehensive loss	-	-	-	-	(7,880)	-	(7,880)	(778)	(8,658)
Total comprehensive (loss)/income for the period	-	-	-	-	(7,880)	2,022,439	2,014,559	6,485	2,021,044
Balance at 31 March 2012 (Unaudited)	**16,500,000**	**3,187,576**	**120,622**	**637,472**	**6,692**	**11,253,063**	**31,705,425**	**183,538**	**31,888,963**
Balance as at 1 January 2011 (Audited)	16,500,000	2,655,918	120,622	637,472	68,553	6,378,745	26,361,310	198,277	26,559,587
Profit for the period	-	-	-	-	-	1,651,996	1,651,996	2,048	1,654,044
Other comprehensive loss	-	-	-	-	(51,474)	-	(51,474)	(7,765)	(59,239)
Total comprehensive (loss)/income for the period	-	-	-	-	(51,474)	1,651,996	1,600,522	(5,717)	1,594,805
Balance at 31 March 2011 (Unaudited)	16,500,000	2,655,918	120,622	637,472	17,079	8,030,741	27,961,832	192,560	28,154,392

The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Three months ended 31 March 2012 (Unaudited) KD	Three months ended 31 March 2011 (Unaudited) KD
OPERATING ACTIVITIES		
Profit for the period	**2,029,702**	1,654,044
Adjustments for:		
Depreciation and amortisation	**510,943**	422,821
Share of results of associate	**(289,648)**	(199,407)
Provision for employees' end of service benefits	**97,271**	161,121
Dividend income	**-**	(6,875)
Finance costs	**169,998**	135,706
Loss on disposal of property, plant and equipment	**-**	30,937
Income tax for overseas subsidiaries	**16,373**	9,820
Net (loss)/gain on investments carried at fair value through statement of income	**7,700**	(143,156)
Provision for slow moving and expired items	**51,369**	77,952
Allowance for bad and doubtful debts	**58,750**	48,978
	2,652,458	2,191,941
Working capital changes :		
Inventories	**2,229,644**	2,510,326
Accounts receivable and prepayments	**(4,522,400)**	(5,726,770)
Accounts payable and accruals	**(2,967,544)**	242,591
	(2,607,842)	(781,912)
Income tax paid	**(16,373)**	(9,820)
Employees' end of service benefits paid	**(14,355)**	(16,628)
Net cash used in operating activities	**(2,638,570)**	(808,360)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(178,061)**	(326,880)
Proceeds from disposal of property, plant and equipment	**77,868**	60,479
Proceeds from sale of investments carried at fair value though statement of income	**-**	572,456
Payment for key money	**(15,000)**	(18,000)
Net movement in inventory assigned to customers	**1,941**	63,777
Net cash (used in)/from investing activities	**(113,252)**	351,832
FINANCING ACTIVITIES		
Finance cost paid	**(85,415)**	(69,131)
Net drawdown/(payment of) murabaha payable	**4,981,039**	(1,029,845)
Net cash from/(used in) financing activities	**4,895,624**	(1,098,976)
Net impact of foreign currency translation adjustments	**(8,658)**	(59,239)
Increase/(decrease) in cash and cash equivalents	**2,135,144**	(1,614,743)
Cash and cash equivalents at the beginning of the period	**5,477,754**	7,265,429
Cash and cash equivalents at the end of the period	**7,612,898**	5,650,686

The notes set out on pages 7 to 12 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

YIACO Medical Company – KSC (Closed) (the 'parent company') was incorporated on 15 January 1969 in Kuwait and its shares are listed on the Kuwait Stock Exchange. The group comprises of parent company and its subsidiaries and operates mainly in Kuwait and Egypt. The group's principal activities are the import and sale of medical, chemical and dental products and equipment.

In all cases the parent company is governed in all its activities by Islamic Shariaa.

During the period, the parent company liquidated Universal Industrial Medical Company – E.S.C incorporated in Egypt, a subsidiary in which it previously had 100% ownership. The group recognised a profit of KD3,698 on liquidation which is included in other operating income.

The address of the parent company's registered office is P.O. Box 435, Safat 13005, State of Kuwait.

The interim condensed consolidated financial information of the group for the three months ended 31 March 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 10 May 2012.

2 Basis of preparation

The 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 the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the group for the year ended 31 December 2011 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional currency of the parent company.

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

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 annual audited consolidated financial statements as at and for the year ended 31 December 2011.

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

Notes to the interim condensed consolidated financial information (continued)

2 Basis of presentation (continued)

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

Adoption of new IASB Standards and amendments during the period
The group has adopted the following amended IFRS during the period:

IFRS 7 Financial Instruments: Disclosures- amendment
The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments allows users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also required additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

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 1 Presentation of Financial Statements – amendment	1 July 2012
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 Venture	1 January 2013
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
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

IAS 1 Presentation of Financial Statements- amendment
The amendment to IAS 1 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 consolidated statement of income in a subsequent period, and
b) That will not be reclassified to interim condensed consolidated statement of income subsequently.

The group will change the current presentation of the interim condensed consolidated statement of comprehensive income when the amendment becomes effective.

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.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of presentation (continued)

IASB Standards issued but not yet effective (continued)

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.

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.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice, due to the non-completion of the remaining stages of the standard.

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.

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.

IFRS 13 Fair Value Measurement
IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The adoption of this standard is not expected to have a significant impact on the financial position and performance of the group.

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 2011.

Notes to the interim condensed consolidated financial information (continued)

4 Basic and diluted earnings per share attributable to the equity holders of the parent company

Basic and diluted earning per share are calculated by dividing the profit for the period attributable to the equity holders of the parent company by the weighted average number of shares outstanding during the period.

	Three months ended 31 March 2012 (Unaudited)	Three months ended 31 March 2011 (Unaudited)
Profit for the period attributable to equity holders of the parent company (KD)	**2,022,439**	1,651,996
Weighted average number of shares outstanding during the period	**165,000,000**	165,000,000
Basic and diluted earnings per share attributable to the equity holders of the parent company	**12.26 Fils**	10.01 Fils

5 Investment in associate

Movement in the carrying value of investment in associate is as follows:

	31 March. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	31 March 2011 (Unaudited) KD
Carrying value at the beginning of the period/year	**6,880,769**	5,991,647	5,991,647
Addition	-	222,995	-
Share of results	**289,648**	802,633	199,407
Dividend received	-	(136,506)	-
Carrying value at the end of the period/year	**7,170,417**	6,880,769	6,191,054

The group has accounted for its investment and share of results in the associate based on management accounts as at and for the three month period ended 31 March 2012.

6 Accounts receivable and prepayments

	31 March. 2012 (Unaudited) KD	31 Dec 2011 (Audited) KD	31 March. 2011 (Unaudited) KD
Trade accounts receivable	**26,224,854**	21,926,682	24,610,679
Amounts due from associate	**713,287**	492,323	794,641
Other receivables	**207,468**	214,297	347,006
Reimbursable expenses	**1,853,833**	1,894,811	2,492,204
Advance to suppliers	**615,427**	445,630	335,007
Prepaid expenses	**331,175**	517,664	374,719
Staff receivables	**42,142**	33,129	35,887
	29,988,186	25,524,536	28,990,143

Notes to the interim condensed consolidated financial information (continued)

7 Murabaha payable

Murabaha payable represents the value of commodities purchased on a deferred settlement basis and carries effective profit payable rates ranging from 4% to 9.5.% (31 December 2011: 4.5% to 9.5% and 31 March 2011: 4.5% to 9.5%). The murabaha is payable on different dates ending 31 May 2015 and are secured over property, plant and equipment with net book value of KD 855,128 (31 December 2011: KD 858,208 and 31 March 2011: KD 733,134) and against investment in an associate. Amounts payable within the next twelve months are shown as current liabilities.

8 Annual general assembly

The annual general assembly (AGM) of the shareholders held on 16 April 2012 approved the consolidated financial statements for the year ended 31 December 2011.

The AGM also approved distribution of cash dividend of 15 fils (31 December 2010: 10 fils) per share of paid up share capital to the shareholders registered in the parent company's records as at the date of the general assembly for the year 2011. The dividend amounting to KD 2,475,000 for the year ended 31 December 2011 (31 December 2010: KD1,650,000) has been paid following the approval.

9 Contingent liabilities

At 31 March 2012 the group had contingent liabilities in respect of outstanding letters of guarantees arising in the ordinary course of business amounting to KD15,078,063 (31 December 2011: KD14,140,025 and 31 March 2011: KD10,191,921).

10 Related party transactions

Related party transactions are transactions with certain related parties (associate, directors and executive officers of the parent company and their related concerns) entered into by the group in the ordinary course of business and they appear as follows:

	31 March. 2012 (Unaudited) KD	31 Dec. 2011 (Audited) KD	31 March. 2011 (Unaudited) KD
Included in the interim condensed consolidated statement of financial position:			
Amounts due from associate (included in accounts receivables and prepayments)	**713,287**	492,323	794,641

	Three months ended 31 March 2012 (Unaudited) KD	Three months ended 31 March 2011 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of income:		
Sales to associate	**520,095**	377,787
Compensation of key management during the period was as follows:		
Directors fees	**5,250**	5,250
Management fees	**172,056**	140,997
Salaries and short term benefits	**75,760**	74,846
Employees' end of service benefits	**3,806**	4,286
	256,872	225,379

Notes to the interim condensed consolidated financial information (continued)

11 Segmental information

The group's primary basis of segment reporting is by business segments, which consist of medical and related activities and investments.

Management monitors the opening results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

	Medical and related activities KD	Investments KD	Total KD
At 31 March 2012 (Unaudited)			
Segment revenue	**23,809,159**	**281,948**	**24,091,107**
Segment results	**1,863,709**	**281,948**	**2,145,657**
Unallocated expenses (directors' remuneration, KFAS, NLST and Zakat)			**(115,955)**
Profit for the period			**2,029,702**
Total assets	**69,403,349**	**8,374,937**	**77,778,286**
Total liabilities	**(45,889,323)**	**-**	**(45,889,323)**
At 31 March 2011 (Unaudited)			
Segment revenue	25,196,134	349,438	25,545,572
Segment results	1,401,406	349,438	1,750,844
Unallocated expenses (directors' remuneration, KFAS, NLST and Zakat)			(96,800)
Profit for the period			1,654,044
Total assets	60,637,846	7,471,354	68,109,200
Total liabilities	(39,954,808)	-	(39,954,808)

12 Financial risk management

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