

AL MANAR

FINANCING & LEASING



2011

Al Manar Financing and Leasing Company

K.S.C. (Closed)

and its Subsidiaries

State of Kuwait



INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND INDEPENDENT AUDITORS' REVIEW REPORT

FROM 1 JANUARY TO 31 MARCH 2011
(UNAUDITED)

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AL MANAR FINANCING AND LEASING COMPANY K.S.C. (CLOSED)

State of Kuwait

**Report on Review of Interim Condensed Consolidated
Financial Information to the Board of Directors**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Manar Financing and Leasing Company K.S.C. (Closed) (“the Parent Company”) and its subsidiaries (together referred to as “the Group”) at 31 March 2011, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 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 IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the accounting records. We further report that nothing has come to our attention indicating any contravention during the three-month period ended 31 March 2011, of the Kuwait Commercial Companies Law of 1960, as amended, or of the Parent Company memorandum and articles of association, or 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, which might have materially affected the Group's activities or its financial position.

Jassim Ahmad Al-Fahad

License No. 53-A
Al-Fahad, Al-Wazzan & Co. Deloitte &
Touche

Kuwait, 30 April 2011

Dr. Saud Al-Humaidi

Licence No. 51 A
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International

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011 (Unaudited)

	NOTE	31 March 2011	31 December 2010 (Audited)	31 March 2010
		KD	KD	KD
ASSETS				
Cash and cash equivalents		1,453,351	1,600,214	1,128,709
Accounts receivable	5	38,552,527	43,026,276	58,646,352
Financial assets at fair value through profit or loss	6	7,741,028	7,757,408	8,491,020
Investment in associate	7	3,755,538	3,755,538	3,605,144
Investment properties	9	1,163,240	1,163,240	2,005,601
Other receivables and prepayments	8	965,849	973,225	1,004,023
Due from related party	13	214,015	213,865	192,624
Intangible assets		7,362	9,073	20,830
Property and equipment		8,627	8,579	31,823
Total assets		53,861,537	58,507,418	75,126,126

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	10	17,724,236	22,087,706	37,631,623
Accounts payable and other credit balances	11	1,016,798	1,897,237	1,152,615
Due to related party	13	-	-	1,639,968
Provision for staff indemnity		351,035	358,221	304,036
Total liabilities		19,092,069	24,343,164	40,728,242

EQUITY				
Share capital		30,874,759	30,874,759	30,874,759
Share premium		312,020	312,020	312,020
Statutory reserve		1,265,937	1,265,937	1,178,931
Voluntary reserve		1,243,823	1,243,823	1,156,817
Foreign currency translation reserve		115,641	115,641	153,024
Retained earnings		957,288	352,074	722,333
Total equity		34,769,468	34,164,254	34,397,884
Total liabilities and equity		53,861,537	58,507,418	75,126,126

Bader Abdulla Al- Sumait
Chairman

Salah Mohamad Al-Wazzan
Vice Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January to 31 March 2011 (Unaudited)

	NOTE	Three months ended 31 March	
		2011	2010
		KD	KD
INCOME			
Finance revenues		1,147,669	1,794,011
Change in fair value of financial assets at FVTPL		(16,380)	(105,365)
Recovery of allowance for doubtful debts	5	196,526	478,496
Other income		63,526	105,327
		1,391,341	2,272,469

EXPENSES			
Finance cost		(328,965)	(786,865)
General and administrative expenses		(445,513)	(415,118)
		(774,478)	(1,201,983)

Profit before provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		616,863	1,070,486
Provision for contribution to KFAS		(5,552)	(10,705)
Zakat		(6,097)	(10,705)
Profit for the period		605,214	1,049,076
Other comprehensive income		-	-
Total comprehensive income for the period		605,214	1,049,076
Earnings per share	12	1.96 Fils	3.4 Fils

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January to 31 March 2011 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Retained earnings	Tota
	KD	KD	KD	KD	reserve	KD	KD
Balance at 1 January 2011	30,874,759	312,020	1,265,937	1,243,823	115,641	352,074	34,164,254
Total comprehensive income for the period	-	-	-	-	-	605,214	605,214
Balance at 31 March 2011	30,874,759	312,020	1,265,937	1,243,823	115,641	957,288	34,769,468
Balance at 1 January 2010	30,874,759	312,020	1,178,931	1,156,817	153,024	(326,743)	33,348,808
Total comprehensive income for the period	-	-	-	-	-	1,049,076	1,049,076
Balance at 31 March 2010	30,874,759	312,020	1,178,931	1,156,817	153,024	722,333	34,397,884

The accompanying notes set out on pages form an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January to 31 March 2011 (Unaudited)

	NOTE	Three months ended 31 March	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the period		605,214	1,049,076
Adjustments for:			
Depreciation and amortization		4,317	11,465
Recovery of allowance for doubtful debts		(196,526)	(478,496)
Change in fair value of financial assets at FVTPL		16,380	105,365
Finance cost		328,965	786,865
Provision for staff indemnity		16,053	15,727
		774,403	1,490,002
Accounts receivable		4,670,275	5,263,936
Other receivables and prepayments		7,376	16,039
Due to / from related party		(150)	31,010
Accounts payable and other credit balances		(880,439)	360,351
Payments of staff indemnity		(23,239)	(346)
Net cash generated by operating activities		4,548,226	7,160,992
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		-	(32,539)
Purchase of property and equipment		(2,654)	(369)
Net cash used in investing activities		(2,654)	(32,908)
FINANCING ACTIVITIES			
Net movement in Islamic Murabaha and Wakala payables		(4,363,470)	(7,888,668)
Finance cost paid		(328,965)	(540,653)
Net cash used in financing activities		(4,692,435)	(8,429,321)
Net decrease in cash and cash equivalents		(146,863)	(1,301,237)
Cash and cash equivalents at beginning of the period		1,600,214	2,429,946
Cash and cash equivalents at end of the period		1,453,351	1,128,709

The accompanying notes set out on pages form an integral part of these consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the period from 1 January to 31 March 2011 (Unaudited)

1. FORMATION AND PRINCIPAL ACTIVITIES

Al Manar Financing and Leasing Company K.S.C. (Closed) (“the Parent Company”) was incorporated in the State of Kuwait in 2003 by the authorized letter of incorporation no. 4857 file 1 dated 6 December 2003.

The main activities of the Parent Company and its subsidiaries (together referred to as “the Group”) are represented in practicing all financing and investing activities according to the Islamic Share’a principles.

The Parent Company is regulated by the Central Bank of Kuwait.

The registered office of the Parent Company is P.O. Box 22828, Safat 13089, Kuwait.

The interim condensed consolidated financial information was authorized for issue by the Board of Directors on 20 July 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. 34, “Interim Financial Reporting” (IAS 34). This interim condensed consolidated financial information does not include all the information and notes required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as modified for use by the Government of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK requirement for a minimum general provision as described below.

Detailed information, is included in the consolidated financial statements and notes thereto in the Group’s consolidated financial statements for the year ended 31 December 2010.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the interim condensed consolidated financial information.

The operating results for the three-month period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011.

The interim condensed consolidated financial information has been prepared using the same accounting policies and methods of computation with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2010, except for changes resulting from amendments to IFRSs as mentioned below.

3. ADOPTION OF NEW AND REVISED STANDARDS

During the period, the Group has adopted all the standards effective for the annual periods beginning on or after 1 January 2011.

- **IAS 24 (Revised) Related party disclosures**

The amended Standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position or performance of the Group but gave rise to additional disclosures in the interim condensed consolidated financial information.

- **IAS 34 Interim Financial Reporting**

Improvement to IAS 34 introduces the concept of "Significant events and transactions" to be disclosed in the interim financial report and clarifies how to apply this principle in respect of financial instruments and their fair values. Adoption of this improvement did not have any material impact on the financial position or performance of the Group.

4. JUDGEMENTS 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 annual audited consolidated financial statements at and for the year ended 31 December 2010.

5. ACCOUNT RECEIVABLE

	31 March 2011	31 December 2010 (Audited)	31 March 2010
	KD	KD	KD
Gross receivables	58,813,657	64,393,958	80,978,623
Less: deferred revenues	(11,068,006)	(11,978,032)	(14,512,720)
Less: provision for doubtful debts	(9,193,124)	(9,389,650)	(7,819,551)
Accounts receivable – net	38,552,527	43,026,276	58,646,352

Receivables aging 90 days and below are fully performing. At 31 March 2011, gross receivables of KD 35,481,096 (31 December 2010: KD 40,157,000, 31 March 2010: KD 58,412,442) were fully performing. The Group follows the CBK requirements for calculating the provision for doubtful debts, which requires a general provision of 1% on all credit facilities net of certain categories of collateral, to which CBK instructions are applicable, and not subject to specific provision. Specific provision as per the CBK requirements is taken net of certain categories of collateral, to which CBK instructions are applicable, for receivables aging above 90 days.

- Aging of impaired receivables***

	31 March 2011	31 December 2010 (Audited)	31 March 2010
	KD	KD	KD
91 – 180 days	2,929,090	4,404,993	4,436,758
181 – 360 days	5,119,493	5,905,104	5,721,963
More than 360 days	15,283,978	13,926,861	12,407,460
Total	23,332,561	24,236,958	22,566,181

- Analysis of provision for doubtful debts***

	31 March 2011	31 December 2010 (Audited)	31 March 2010
	KD	KD	KD
Specific	8,894,678	9,055,148	7,340,834
General	298,446	334,502	478,717
Total	9,193,124	9,389,650	7,819,551

- Movement of the provision for doubtful debts***

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2011	9,055,148	334,502	9,389,650
Release during the period	(160,470)	(36,056)	(196,526)
Balance at 31 March 2011	8,894,678	298,446	9,193,124
Balance at 1 January 2010	7,790,154	507,893	8,298,047
Release during the period	(449,320)	(29,176)	(478,496)
Balance at 31 March 2010	7,340,834	478,717	7,819,551

In determining the recoverability of accounts receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Group holds KD 20,240,328 (31 December 2010: KD 18,607,750; 31 March 2010: KD 18,051,936) as collateral over its accounts receivable. Management believes that there is no further credit provision required in excess of the provision for doubtful debts.

The carrying amounts of the Group's accounts receivable are denominated in KD and located in the State of Kuwait.

The accounts receivable include an amount of KD 26,320,339 (31 December 2010: KD 30,651,046; 31 March 2010: KD 45,398,429) pledged as collateral against Islamic Murabaha and Wakala payables (see note 10).

The maximum exposure to credit risk at the reporting date is the carrying amount of accounts of receivable mentioned above.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2011	31 December 2010 (Audited)	31 March 2010
	KD	KD	KD
	Investments in quoted local shares & Fund	82,896	133,430
Investments in unquoted local shares & Fund	7,344,808	7,340,502	8,034,720
Investments in unquoted foreign shares & Fund	313,324	283,476	283,343
	7,741,028	7,757,408	8,491,020

7. INVESTMENT IN ASSOCIATE

The associated company is as follows:

Name of company	Country of incorporation	Percentage of ownership and voting power			Principal activity
		31 March 2011	31 Dec. 2010 Audited	31 March 2010	
Qatar Finance House	Qatar	20%	20%	20%	Financing activities

On 10 March 2008, the Group acquired 20% shareholding interest in Qatar Finance House Company Q.P.S.C., a company incorporated in Qatar, whose principal activities are that of consumer and project financing activities in accordance with Islamic Shari'a Law. The Group's investment is equivalent to KD 3,755,538 at 31 March 2011 (31 December 2010: KD 3,755,538, 31 March 2010: KD 3,605,144) which includes goodwill arising on acquisition of KD 1,900,430. The Group's accounting for its investment in associate at 31 March 2011 is based on the consolidated financial statements of the associate for the year ended 31 December 2010.

8. OTHER RECEIVABLES AND PREPAYMENTS

	31 March 2011	31 December 2010 (Audited)	31 March 2010
	KD	KD	KD
	Prepaid expenses	26,587	28,489
Staff receivables and deductions	18,795	40,167	59,584
Refundable deposits	313,095	312,825	312,825
Advance against investment in associate	499,075	499,075	499,075
Other debit balances	108,297	92,669	103,469
	965,849	973,225	1,004,023

9. INVESTMENT PROPERTIES

The Group's investment properties' details are as follows:

- a) A plot of land in Mahboola - Kuwait acquired through a Musharaka agreement in 2008 at a cost of KD 510,000 representing 83.6% ownership. The average fair value was last obtained at 31 December 2010 and amounts for the Group's stake KD 493,240 (31 December 2010: KD 493,240; 31 March 2010: KD 440,734).
- b) A plot of land in Fahaheel – Kuwait acquired in 2010 at a cost of KD 670,000. The average fair value was last obtained at 31 December 2010 and amounts to KD 724,163 (31 December 2010: KD 724,163; 31 March 2010: nil).

The fair values of the investment properties have been arrived at on the basis of a valuation carried out by independent valuers that are not related to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

10. ISLAMIC MURABAHA AND WAKALA PAYABLES

Islamic Murabaha and Wakala payables are guaranteed by assigning receivables amounting to KD 26,320,339 (31 December 2010: KD 30,651,046; 31 March 2010: KD 45,398,429) (see note 5).

The average cost on Islamic Murabaha and Wakala payables is 7.26% (31 December 2010: 7.28%; 31 March 2010: 7.41%).

11. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	31 March 2011	31 December 2010 (Audited)	31 March 2010
	KD	KD	KD
Trade payables	448,305	1,279,340	624,108
Accrued salaries and other staff accruals	140,639	201,919	127,700
Accrued dividends	257,276	257,816	266,676
Provision for KFAS	85,687	80,135	83,009
Provision for Zakat	28,022	21,925	23,234
Others	56,869	56,102	27,888
	1,016,798	1,897,237	1,152,615

12. EARNINGS PER SHARE

Earnings per share are calculated based on the net profit for the period divided by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March	
	2011	2010
	KD	KD
Profit for the period	605,214	1,049,076
Weighted average number of the Parent Company's outstanding shares	308,747,590	308,747,590
Earnings per share	1.96 Fils	3.4 Fils

There are no potential dilutive shares.

13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties consist of major shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners. All related party transactions approximate arms length terms and are approved by the Group's management.

The related party balances and transactions included in the interim condensed consolidated financial information are as follows:

	31 March	31 December	31 March
	2011	2010	2010
	(Audited)		
	KD	KD	KD
a) Accounts receivable	61,730	72,888	106,176
b) Investments managed by major shareholder	7,276,360	7,310,329	7,828,562
c) Due from related party (Qatar Finance House Company QPSC)	214,015	213,865	192,624
d) Due to related party (Qatar Finance House Company QPSC)	-	-	1,639,968
e) Compensation of key management personnel			
Salaries and other short term benefits	206,057	506,071	204,823
Post-employment benefits	183,384	201,587	169,036
	389,441	707,658	373,859

14. SEGMENTAL INFORMATION

Operating segments are to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The operating segments are divided into two major business segments. Business segments are distinguishable components of the Group that provide products or services subject to risks and returns different from those of other business segments.

	31 March 2011			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,370,280	(16,380)	37,441	1,391,341
Segment expenses	(328,965)	-	(457,162)	(786,127)
Segment results	1,041,315	(16,380)	(419,721)	605,214
Segment assets	40,005,878	13,158,881	696,778	53,861,537
Segment liabilities	17,724,236	-	1,367,833	19,092,069

	31 March 2010			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,348,408	(105,365)	29,426	2,272,469
Segment expenses	(786,865)	-	(436,528)	(1,223,393)
Segment results	1,561,543	(105,365)	(407,102)	1,049,076
Segment assets	59,775,061	14,600,840	750,225	75,126,126
Segment liabilities	37,631,623	1,639,968	1,456,651	40,728,242

15. ANNUAL GENERAL ASSEMBLY

The Annual General Assembly held on 18 July 2011, approved the consolidated financial statements for the year ended 31 December 2010.

16. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the year ended 31 December 2010.

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