

AL MANAR

FINANCING & LEASING



2012

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 30 JUNE 2012
(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, "collectively referred to as the Group" as of 30 June 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation as disclosed 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 condensed consolidated 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 preparation set out in note (2).

Report on Review of Other Legal and Regulatory Requirements

Further, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. To the best of our knowledge and belief, no violations of the Commercial Companies Law 1960, as amended or of the Parent Company's Articles of Association have occurred during the period ended 30 June 2012 that might have materially affected the business of the Group or its financial position.

We further report that, during the course of our review, we have not become aware of any material violations 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 six-month period ended 30 June 2012.

Jassim Ahmad Al-Fahad

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

Kuwait, 12 September 2012

Dr. Saud Al-Humaidi

Licence No. 51 A
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Independent Member of Baker Tilly
International

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012 (Unaudited)

	NOTE	30 June 2012	31 December 2011 (Audited)	30 June 2011
		KD	KD	KD
ASSETS				
Cash and cash equivalents		3,069,725	3,368,373	3,113,114
Investment in Murabaha receivable	3	3,905,719	1,503,886	-
Accounts receivable	4	35,472,590	34,010,533	34,411,293
Financial assets at fair value through profit or loss	5	4,746,834	4,726,494	7,433,332
Available for sale investment		2,169,087	2,169,087	-
Investment in associate		-	-	3,755,538
Investment properties		2,032,335	2,032,335	2,017,981
Other receivables and prepayments		129,648	109,789	1,014,439
Due from related party	9	214,448	214,448	214,448
Intangible assets		2,114	4,071	6,132
Property and equipment		26,513	18,057	7,014
Total assets		51,769,013	48,157,073	51,973,291

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	6	17,873,593	14,865,413	14,955,241
Accounts payable and other credit balances		2,523,759	2,486,200	1,871,495
Provision for staff indemnity		439,853	415,679	367,673
Total liabilities		20,837,205	17,767,292	17,194,409

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	1,265,937
Voluntary reserve		1,243,823	1,243,823	1,243,823
Foreign currency translation reserve		-	-	115,641
(Accumulated losses) / retained earnings		(2,764,731)	(3,306,758)	966,702
Total equity		30,931,808	30,389,781	34,778,882
Total liabilities and equity		51,769,013	48,157,073	51,973,291

Bader Abdulla Al- Sumait
Chairman

Salah Mohamad Al-Wazzan
Vice Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2012 (Unaudited)

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2012	2011	2012	2011
		KD	KD	KD	KD
INCOME					
Finance revenues		998,439	1,026,635	1,991,344	2,174,304
Net investment gain / (loss)	7	2,872	(267,063)	20,531	(283,443)
Other income		180,532	96,999	365,852	160,525
		1,181,843	856,571	2,377,727	2,051,386

EXPENSES					
		2012	2011	2012	2011
		KD	KD	KD	KD
Finance cost		(311,565)	(266,855)	(590,470)	(595,820)
General and administrative expenses		(358,763)	(359,828)	(740,007)	(805,341)
Provision for doubtful debts	4	(549,786)	(220,123)	(494,619)	(23,597)
		(1,220,114)	(846,806)	(1,825,096)	(1,424,758)

(Loss) / profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		(38,271)	9,765	552,631	626,628
Provision for contribution for KFAS		-	(87)	-	(5,639)
Zakat		(4,220)	(264)	(10,604)	(6,361)
Net (loss) / profit for the period		(42,491)	9,414	542,027	614,628
(Loss) / earnings per share (Fils)	8	(0.14)	0.03	1.76	1.99

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2012 (Unaudited)

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2012	2011	2012	2011
		KD	KD	KD	KD
Net profit for the period		(42,491)	9,414	542,027	614,628
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		(42,491)	9,414	542,027	614,628

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2012 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	(Accumulated losses) / retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2012	30,874,759	312,020	1,265,937	1,243,823	-	(3,306,758)	30,389,781
Net profit for the period	-	-	-	-	-	542,027	542,027
Balance at 30 June 2012	30,874,759	312,020	1,265,937	1,243,823	-	(2,764,731)	30,931,808
Balance at 1 January 2011	30,874,759	312,020	1,265,937	1,243,823	115,641	352,074	34,164,254
Net profit for the period	-	-	-	-	-	614,628	614,628
Balance at 30 June 2011	30,874,759	312,020	1,265,937	1,243,823	115,641	966,702	34,778,882

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 30 JUNE 2012 (Unaudited)

	NOTE	Six months ended 30 June	
		2012	2011
		KD	KD
OPERATING ACTIVITIES			
Net profit for the period		542,027	614,628
Adjustments for:			
Depreciation and amortization		7,420	7,681
Recovery of impairment loss on investment property		-	(10,541)
Provision for doubtful debts		494,619	23,597
Net investment (gain) / loss		(20,531)	283,443
Income on murabaha receivable		(10,965)	-
Finance cost		590,470	595,820
Provision for staff indemnity		33,354	33,757
		1,636,394	1,548,385
Accounts receivable		(1,956,676)	8,591,386
Movement of investment		(10,840)	-
Other receivables and prepayments		(19,859)	(41,214)
Due from related party – net		-	(583)
Accounts payable and other credit balances		37,559	(25,742)
Payments of staff indemnity		(9,180)	(24,305)
Net cash (used in) /generated by operating activities		(322,602)	10,047,927
INVESTING ACTIVITIES			
Investment in Murabaha receivable		(2,401,833)	-
Purchase of investment properties		-	(844,200)
Dividend received		11,031	40,633
Income on Murabaha receivable		10,965	-
Purchase of property and equipment		(13,919)	(3,175)
Net cash used in investing activities		(2,393,756)	(806,742)
FINANCING ACTIVITIES			
Net movement in Islamic Murabaha and Wakala payables		3,008,180	(7,132,465)
Finance cost paid		(590,470)	(595,820)
Net cash from / (used in) financing activities		2,417,710	(7,728,285)
Net (decrease) / increase in cash and cash equivalents		(298,648)	1,512,900
Cash and cash equivalents at beginning of the period		3,368,373	1,600,214
Cash and cash equivalents at end of the period		3,069,725	3,113,114

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 30 JUNE 2012 (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 and Capital Market Authority.

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

The financial statements for the year ended 31 December 2011 are not issued yet as required regulatory approvals have not been obtained till date.

The interim condensed consolidated financial information was authorized for issue by the Board of Directors on 12 September 2012.

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 2011.

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 six-month period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012.

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 2011.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2012 didn’t have any material impact on the accounting policies financial position performance of the Group.

3. INVESTMENT IN MURABAHA RECEIVABLE

Investment in Murabaha receivable are the deposited amounts at local financial institutions according to Murabaha contracts. The average yield on those contracts is 1% per annum.

4. ACCOUNT RECEIVABLE

	30 June 2012	31 December 2011 (Audited)	30 June 2011
	KD	KD	KD
Gross receivables	55,960,323	53,857,354	53,631,776
Less: deferred revenues	(9,930,527)	(9,784,234)	(9,807,236)
Less: provision for doubtful debts	(10,557,206)	(10,062,587)	(9,413,247)
Accounts receivable – net	35,472,590	34,010,533	34,411,293

- Aging of impaired receivables*

	30 June 2012	31 December 2011 (Audited)	30 June 2011
	KD	KD	KD
91 – 180 days	1,179,954	1,138,049	3,207,237
181 – 360 days	1,128,981	2,696,028	1,371,645
More than 360 days	16,938,888	15,846,481	15,738,409
Total	19,247,823	19,680,558	20,317,291

- Movement in the provision for doubtful debts:*

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2012	9,396,601	665,986	10,062,587
Charge during the period	56,670	437,949	494,619
Balance at 30 June 2012	9,453,271	1,103,935	10,557,206
Balance at 1 January 2011	9,055,148	334,502	9,389,650
Charge / (recovery) during the period	79,643	(56,046)	23,597
Balance at 30 June 2011	9,134,791	278,456	9,413,247

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 12,569,720 (31 December 2011: KD 11,664,356, 30 June 2011: KD 13,164,611) 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 accounts receivable include an amount of KD 32,868,179 (31 December 2011: KD 23,990,904

30 June 2011: KD 21,713,871) pledged as collateral against Islamic Murabaha and Wakala payables.

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

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June	31 December	30 June
	2012	2011	2011
	(Audited)		
	KD	KD	KD
Investments in quoted local shares	122,877	102,537	95,868
Investments in unquoted local shares	4,331,293	4,331,293	7,044,799
Investments in unquoted foreign shares	292,664	292,664	292,665
	4,746,834	4,726,494	7,433,332

The local and foreign unquoted shares are evaluated based on the market multiples approach for the book value of these investments as of 31 December 2011. Investments in funds are evaluated based on the last available NAV from the fund manager.

6. ISLAMIC MURABAHA AND WAKALA PAYABLES

The average cost on Islamic Murabaha and Wakala payables is 6.53% (31 December 2011: 7.14%, 30 June 2011: 7.05%).

7. NET INVESTMENT GAIN/ LOSS

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	KD	KD	KD	KD
Change in fair value of financial assets at FVTPL	2,722	(305,066)	9,500	(321,446)
Dividend income	150	40,633	11,031	40,633
Loss on sales	-	(2,630)	-	(2,630)
	2,872	(267,063)	20,531	(283,443)

8. EARNINGS / (LOSS) PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	KD	KD	KD	KD
Net profit / (loss) for the period	(42,491)	9,414	542,027	614,628
Weighted average number of the Parent Company's outstanding shares	308,747,590	308,747,590	308,747,590	308,747,590
Earnings / (loss) per share (Fils)	(0.14)	0.03	1.76	1.99

9. RELATED PARTY BALANCES AND TRANSACTIONS

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:

	30 June 2012	31 December 2011 (Audited)	30 June 2011
	KD		KD
a) Accounts Receivable	53,854	54,118	55,276
b) Investments managed by major shareholder	3,775,812	4,346,494	6,993,714
c) Due from related party (Qatar Finance House Company QPSC)	214,488	214,488	214,448
d) Compensation of key management personnel			
Salaries and other short term benefits	306,412	482,919	299,646

10. 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.

	30 June 2012			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,062,293	20,531	294,903	2,377,727
Segment expenses	(1,085,089)	-	(750,611)	(1,835,700)
Segment results	977,204	20,531	(455,708)	542,027
Segment assets	38,542,315	12,853,975	372,723	51,769,013
Segment liabilities	17,873,593	-	2,963,612	20,837,205

	30 June 2011			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,256,480	(272,902)	67,808	2,051,386
Segment expenses	(619,417)	-	(817,341)	(1,436,758)
Segment results	1,637,063	(272,902)	(749,533)	614,628
Segment assets	37,524,407	13,705,926	742,958	51,973,291
Segment liabilities	14,955,241	-	2,239,168	17,194,409



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