

AL MANAR

FINANCING & LEASING



2023



**Al Manar Financing and Leasing Company K.S.C. (Public)
and its Subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2023
With Review Report**



Al Manar Financing and Leasing Company K.S.C. (Public)
and its Subsidiaries
State of Kuwait

Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2023
With Review Report

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Interim Condensed Consolidated Statement of Financial Position as at 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	31 March 2023	31 December 2022 (Audited)	31 March 2022
Assets				
Cash and cash equivalents	4	2,573,164	1,433,827	7,645,323
Investments in Murabaha and Wakala receivables	5	9,347,321	9,347,321	4,347,321
Finance receivables	6	15,090,807	14,984,479	12,456,315
Other receivables and prepayments	7	247,431	387,357	1,278,949
Investments in financial securities	8	10,723,121	11,008,092	7,237,465
Investment properties		3,809,817	3,822,449	3,860,343
Other assets		52,056	61,599	59,220
Total assets		41,843,717	41,045,124	36,884,936
Liabilities and equity				
Liabilities				
Accounts payable and other credit balances	9	1,979,766	2,175,900	811,905
Islamic financing payables	10	12,084,263	11,009,032	4,227,305
Provision for staff indemnity		305,212	331,005	513,796
Total liabilities		14,369,241	13,515,937	5,553,006
Equity				
Share capital		26,374,759	26,374,759	30,874,759
Gain on sale of treasury shares		4,995	4,995	4,995
Statutory reserve		295,272	295,272	140,616
Voluntary reserve		295,272	295,272	140,616
Fair value reserve		(1,142,668)	(787,445)	(331,248)
Retained earnings		1,646,846	1,346,334	502,192
Total equity		27,474,476	27,529,187	31,331,930
Total liabilities and equity		41,843,717	41,045,124	36,884,936

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Khalid Abdullah Mirza
Chairman

Interim Condensed Consolidated Statement of Income for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 31 March	
		2023	2022
Revenues			
Finance revenues		493,906	403,630
Rental income		69,610	71,635
Net gains from investments in financial securities	11	120,889	14,860
Other income	12	171,709	20,208
		856,114	510,333
Expenses			
Finance cost		182,308	40,107
Staff costs		147,369	132,979
Provide/ (reversal) of provisions for credit facilities	6	97,489	(96,931)
Other expenses		114,824	108,612
		541,990	184,767
Profit before deductions		314,124	325,566
NLST		7,853	8,139
Zakat		2,932	2,889
KFAS		2,827	2,930
Net profit for the period		300,512	311,608
Basic and diluted earnings per share (Fils)	13	1.14	1.01

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Three months ended 31 March	
	2023	2022
Net profit for the period	300,512	311,608
<i>Items that will not be reclassified subsequently to interim condensed consolidated statement of income:</i>		
Change in fair value of equity investments at fair value through other comprehensive income	(355,223)	(40,059)
Other comprehensive loss for the period	(355,223)	(40,059)
Total comprehensive (loss)/ income	(54,711)	271,549

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statements of Changes in Equity for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Share capital	Gain on sale of treasury shares	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2022	30,874,759	4,995	140,616	140,616	(299,553)	198,948	31,060,381
Net profit for the period	-	-	-	-	-	311,608	311,608
Other comprehensive loss for the period	-	-	-	-	(40,059)	-	(40,059)
Transfer on disposal of investments	-	-	-	-	8,364	(8,364)	-
Balance at 31 March 2022	30,874,759	4,995	140,616	140,616	(331,248)	502,192	31,331,930
Balance at 1 January 2023	26,374,759	4,995	295,272	295,272	(787,445)	1,346,334	27,529,187
Net profit for the period	-	-	-	-	-	300,512	300,512
Other comprehensive loss for the period	-	-	-	-	(355,223)	-	(355,223)
Balance at 31 March 2023	26,374,759	4,995	295,272	295,272	(1,142,668)	1,646,846	27,474,476

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 31 March	
		2023	2022
Operating activities			
Net profit for the period		300,512	311,608
Adjustments for:			
Depreciation and amortization		22,175	22,468
Net gains from investments in financial securities	11	(120,889)	(14,860)
Provide/ (reversal) of provisions for credit facilities		97,489	(96,931)
Finance cost		182,308	40,107
Provision for staff indemnity		2,872	7,436
Operating profit before changes in working capital		484,467	269,828
Finance receivables		(203,817)	1,436,686
Other receivables and prepayments		135,046	(107,825)
Financial assets at fair value through profit or loss (net movement)		34,104	-
Accounts payable and other credit balances		(167,319)	146,140
Payment of staff indemnity		(23,785)	(44,118)
Net cash generated from operating activities		258,696	1,700,711
Investing activities			
Dividends income received		18,270	11,927
Purchase of financial securities (FVTOCI and amortized cost)		-	(122,248)
Proceeds from sale of financial securities (FVTOCI and amortized cost)		-	384,301
Purchase of other assets		-	(85)
Net cash generated from investing activities		18,270	273,895
Financing activities			
Proceeds from Islamic financing payables		3,476,700	-
Payment for Islamic financing payables		(2,401,469)	(650,439)
Payment for capital reduction		(28,928)	-
Dividends paid		(1,624)	(15,885)
Finance cost paid		(182,308)	(40,107)
Net cash generated from/ (used in) financing activities		862,371	(706,431)
Net increase in cash and cash equivalents		1,139,337	1,268,175
Cash and cash equivalents at beginning of the period		1,433,827	6,377,148
Cash and cash equivalents at end of the period	4	2,573,164	7,645,323

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2023 (Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Formation and principal activities

Al Manar Financing and Leasing Company K.S.C. (Public) (“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 all financing and investing activities according to the Islamic Shari’a principles.

The Parent Company is subject to instructions and monitoring by the Central Bank of Kuwait and Capital Markets Authority.

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

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries (the Group) as follows:

Company name	Ownership percentage (%)			Activity	Country of incorporation
	31 March 2023	31 Dec 2022	31 March 2022		
Manarat Tasaheel Real Estate Company W.L.L	100	100	100	Real estate	Kuwait
Al-Manar Express for Marketing Consulting Company W.L.L	100	100	100	Consulting	Kuwait
Al- Manar Watania for Administrative Consulting Company W.L.L	100	100	100	Consulting	Kuwait

Subsidiaries’ management accounts have been used for the consolidation purposes as at 31 March 2023. The total assets of the subsidiaries are KD 3,931,791 (KD 4,108,753 as at 31 December 2022, KD 4,470,795 as at 31 March 2022), net gains of KD 104,598 during the three months ended 31 March 2023 (net gains KD 2,589 during the three months ended 31 March 2022).

On 12 April 2023, the General Assembly approved the consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial information was approved for issue by the Board of Directors on ----- 2023.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’.

The annual consolidated financial statements for the year ended 31 December 2022 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require expected credit loss (‘ECL’) to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standards Board (‘IASB’). (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

2.2 Significant accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the amendments and annual improvements to IFRS, relevant to the Group which are effective for annual reporting period starting from 1 January 2023 and which did not result in any material impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any standards, interpretations and amendments that had been issued but is

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

not yet effective.

3. Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Financial assets	Fair value as at			Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable inputs)	Relationship of unobservable inputs to fair value
	31 March 2023	31 December 2022 (Audited)	31 March 2022				
Financial assets at fair value through profit or loss:							
Quoted foreign funds	1,114,159	1,027,904	1,196,394	Level 1	Last bid prices	N/A	N/A
Quoted local shares	57,945	50,442	-	Level 1	Last bid prices	N/A	N/A
Unquoted foreign funds	609,626	604,239	589,168	Level 2	Net assets value	Net assets value	N/A
Unquoted local shares	477,664	477,664	592,864	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value
Unquoted foreign shares	106,170	136,800	129,186	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value
Financial assets at fair value through OCI:							
Quoted local shares	3,695,521	4,112,451	-	Level 1	Last bid prices	N/A	N/A
Quoted foreign shares	1,133,128	1,071,421	1,137,897	Level 1	Last bid prices	N/A	N/A
Unquoted foreign shares	1,399,012	1,399,012	1,480,472	Level 3	Market comparatives and Net assets value	Illiquidity discount	The higher the discount rate the lower the value
Financial assets at amortized costs:							
Debt sukuks – quoted at foreign stock exchanges	1,919,411	1,925,919	2,045,332	Level 1	Last bid prices	N/A	N/A

Reconciliation of level 3 fair value measurements

	31 March 2023	31 December 2022 (Audited)	31 March 2022
Balance at the beginning of the period/ year	2,013,476	2,159,322	2,159,322
Change in fair value	-	(145,846)	43,200
Capital reduction	(30,630)	-	-
Balance at the end of the period/ year	1,982,846	2,013,476	2,202,522

Fair values of the Group's other financial assets and financial liabilities are approximately equal to their carrying value.

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

4. Cash and cash equivalents

	31 March 2023	31 December 2022 (Audited)	31 March 2022
Cash at banks and portfolios	1,071,414	1,430,103	5,141,913
Wakala with banks (less than 3 months)	1,500,000	-	2,501,660
Cash on hand	1,750	3,724	1,750
	2,573,164	1,433,827	7,645,323

As at 31 March 2023, the effective yield rate on Wakala is 4% (1.125% as at 31 March 2022) per annum.

5. Investments in Murabaha and Wakala receivables

Investments in Murabaha and Wakala receivables have been deposited at local financial institutions according to Murabaha and Wakala contracts. The average yield on those contracts is 4.125% - 5.00% per annum as at 31 March 2023 (31 December 2022: 3% - 4.3125% and 31 March 2022: 1.780% per annum). Expected credit losses amounted to KD 17,679 as at 31 March 2023 (KD 17,679 as at 31 December 2022 and 31 March 2022).

6. Finance receivables

	31 March 2023	31 December 2022 (Audited)	31 March 2022
Finance receivables	20,743,025	20,350,449	17,962,774
Less: deferred revenues	(2,864,053)	(2,694,173)	(2,111,737)
Less: provision for impairment in value/ expected credit losses	(2,788,165)	(2,671,797)	(3,394,722)
Finance receivables – net	15,090,807	14,984,479	12,456,315

6.1 Expected credit losses on credit facilities determined under IFRS 9 according to CBK guidelines amounted to KD 2,788,165 as at 31 March 2023 (31 December 2022: KD 2,671,797 and 31 March 2022: KD 2,953,171), which is equal to/ lower than the provision for credit facilities required by CBK instructions of KD 2,788,165 as at 31 March 2023 (31 December 2022: KD 2,671,797 and 31 March 2022: KD 3,394,722).

6.2 The movement in gross credit facilities is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	11,847,037	3,586,962	4,172,176	19,606,175
Written off during the period	-	-	(25,688)	(25,688)
Net collection	(866,878)	(586,728)	(164,107)	(1,617,713)
Transfer from/ to Stage 1	(42,492)	440,016	(397,524)	-
Transfer from/ to Stage 2	125,263	(284,454)	159,191	-
Balance at 31 March 2022	11,062,930	3,155,796	3,744,048	17,962,774

Balance at 1 January 2023	15,047,533	1,765,319	3,537,597	20,350,449
Net financing/ (collection)	874,889	(348,711)	(133,602)	392,576
Transfer from/ to Stage 1	(695,749)	695,749	-	-
Transfer from/ to Stage 2	112,517	(288,088)	175,571	-
Balance at 31 March 2023	15,339,190	1,824,269	3,579,566	20,743,025

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

6.3 The movement in the provisions for expected credit losses effected during the current period is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	57,788	89,781	2,661,802	2,809,371
Written off during the period	-	-	(25,688)	(25,688)
Credit losses (reversed)/ charged during the period	(90,541)	11,078	248,951	169,488
Transfer from/ to Stage 1	94,064	4,412	(98,476)	-
Transfer from/ to Stage 2	3,146	26,657	(29,803)	-
Balance at 31 March 2022	64,457	131,928	2,756,786	2,953,171
Balance at 1 January 2023	68,363	66,268	2,537,166	2,671,797
Credit losses charged during the period	37,477	32,834	46,057	116,368
Transfer from/ to Stage 1	(4,187)	4,187	-	-
Transfer from/ to Stage 2	944	(12,262)	11,318	-
Balance at 31 March 2023	102,597	91,027	2,594,541	2,788,165

6.4 The movement in the provisions for credit facilities required by CBK instructions effected is as follows:

	31 March 2023	31 March 2022
Balance at 1 January	2,671,797	3,484,658
Written off	-	(25,688)
Provided/ (reversed) during the period	116,368	(64,248)
Balance at 31 March	2,788,165	3,394,722

6.5 The Group holds collateral amounting to KD 2,629,326 as at 31 March 2023 (KD 2,718,122 - 31 December 2022; KD 4,309,351 – 31 March 2022) over its finance receivables. Management believes that there is no further credit provision required in excess of the provision for credit losses.

6.6 During the current period, the Group recovered an amount of KD 18,879 (KD 32,683 – 31 March 2022) from the written off finance receivables and reversed the same in the interim condensed consolidated statement of income in provision for credit facilities.

7. Other receivables and prepayments

	31 March 2023	31 December 2022 (Audited)	31 March 2022
Staff advances	30,341	36,045	239,207
Due against collection on behalf of the Group	19,191	19,191	541,736
Others	197,899	332,121	498,006
	247,431	387,357	1,278,949

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

8. Investments in financial securities

	31 March 2023	31 December 2022 (Audited)	31 March 2022
Financial assets at fair value through profit or loss ("FVTPL")			
Quoted foreign funds	1,114,159	1,027,904	1,196,394
Quoted local shares	57,945	50,442	-
Unquoted foreign funds	609,626	604,239	589,168
Unquoted local shares	477,664	477,664	592,864
Unquoted foreign shares	106,170	136,800	129,186
	2,365,564	2,297,049	2,507,612
Financial assets at fair value through other comprehensive income ("FVTOCI")			
Quoted local shares	3,695,521	4,112,451	-
Quoted foreign shares	1,133,128	1,071,421	1,137,897
Unquoted foreign shares	1,399,012	1,399,012	1,480,472
	6,227,661	6,582,884	2,618,369
Financial assets at amortized cost			
Debt sukuks – quoted at foreign stock exchanges	2,129,896	2,128,159	2,111,484
	2,129,896	2,128,159	2,111,484
	10,723,121	11,008,092	7,237,465

- Fair value of investments has been determined in the manner described in Note 3.

9. Accounts payable and other credit balances

	31 March 2023	31 December 2022 (Audited)	31 March 2022
Trade payables	1,079,234	1,262,646	264,476
Capital reduction payables	336,145	365,073	-
Accrued salaries and other staff accruals	275,886	280,846	267,336
Dividends payable	109,592	111,216	125,586
NLST	46,481	38,628	44,144
Zakat	18,043	15,111	14,247
KFAS	16,746	13,919	6,762
Others	97,639	88,461	89,354
	1,979,766	2,175,900	811,905

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

10. Islamic financing payables

Islamic financing payables are obtained from local and foreign banks and are denominated in KD and USD. The average cost is 4.25% - 5.25% and 8.95% - 9.25% for KD and USD respectively as at 31 March 2023 (4.25% - 4.75% and 7.02% - 8.34% for KD and USD, respectively - 31 December 2022; 3.75%- 4.25% and 2.069% for KD and USD, respectively - 31 March 2022).

Islamic finance payables are guaranteed against the following:

	31 March 2023	31 December 2022 (Audited)	31 March 2022
Investment in Murabaha receivables	9,347,321	9,347,321	4,347,321
Assigning receivables – net	3,035,517	3,031,727	1,013,240
Investment properties	3,715,244	3,726,375	851,835
Investment in financial securities	8,682,330	8,944,174	5,034,943

11. Net gains from investments in financial securities

	Three months ended 31 March	
	2023	2022
<i>Financial assets at fair value through profit or loss ("FVTPL")</i>		
Change in fair value	102,619	2,934
Dividend income	9,943	8,339
	112,562	11,273
<i>Financial assets at fair value through other comprehensive income ("FVTOCI")</i>		
Dividend income	8,327	3,587
	120,889	14,860

12. Other income

Other income includes amount of KD 106,286 (KD Nil - 31 March 2022), resulting from final settlement of a legal case in favour of the Group.

13. Basic and diluted earnings per share (fils)

Basic and diluted earnings per share are calculated based on the profit for the period divided by the weighted average number of shares outstanding during the period, as follows:

	Three months ended 31 March	
	2023	2022
Net profit for the period	300,512	311,608
Weighted average number of the Parent Company's outstanding shares	263,747,591	308,747,591
Basic and diluted earnings per share (fils)	1.14	1.01

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2023
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

14. Related parties' 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 parties' transactions are at arm's length terms and are approved by the Group's management.

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

	31 March 2023	31 December 2022 (Audited)	31 March 2022
Balances:			
a) Finance receivables (gross)	1,612,663	1,621,318	591,847
b) Key management's benefits payable	163,107	253,209	208,022
c) Advance to staff	-	-	73,017
d) Board of Directors committees' remunerations payables	-	55,000	61,000
Transactions:			
a) Remuneration of key management personnel			
Staff costs		60,207	40,575
b) Finance revenue		15,221	3,047

15. 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 which are finance (including the credit facilities for consumers), investment (including the investments in financial securities and investment properties). 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 2023

	Finance	Investment	Others	Total
Segment revenues	509,824	212,856	133,434	856,114
Segment expenses	(226,113)	(133,056)	(182,821)	(541,990)
Segment results	283,711	79,800	(49,387)	314,124
Segment assets	26,431,923	14,662,363	749,431	41,843,717
Segment liabilities	9,074,197	4,089,300	1,205,744	14,369,241

31 March 2022

	Finance	Investment	Others	Total
Segment revenues	395,351	105,875	9,107	510,333
Segment expenses	39,292	(36,224)	(187,835)	(184,767)
Segment results	434,643	69,651	(178,728)	325,566
Segment assets	20,532,964	14,884,469	1,467,503	36,884,936
Segment liabilities	2,364,481	2,127,300	1,061,225	5,553,006

**Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2023
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

16. General Assembly

On 12 April 2023, the Ordinary General Assembly approved the consolidated financial statements for the year ended 31 December 2022 and approved the followings:

- To distribute cash dividends amounted to KD 791,243 at 3 fils per share to the shareholders of the Parent Company for the year ended 31 December 2022.
- Board of Directors' remunerations amounting to Nil for year 2022 (Nil for year 2021).
- Board of Directors Committees' remunerations of KD 55,000 for year 2022 (KD 61,000 for year 2021).

17. Contingent liabilities

	31 March 2023	31 March 2022
Letters of guarantee	5,000	5,000

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2023