

AL MANAR

FINANCING & LEASING



2013

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 2013
(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 31 March 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months 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 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 Companies Law no. 25 of 2012, as amended or of the Parent Company's Articles of Association have occurred during the period ended 31 March 2013 that might have had a material effect on the business of the Group or on 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 three-month period ended 31 March 2013.

Bader A. Al-Wazzan

Licence No. 62A
Deloitte & Touche
Al Fahad Al Wazzan & Co

Kuwait, 11 June 2013

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013 (Unaudited)

	NOTE	31 March 2013 KD	31 December 2012 (Audited) KD	31 March 2012 KD
ASSETS				
Cash and cash equivalents		914,832	2,470,105	3,085,642
Investment in Murabaha receivable	3	3,129,298	3,114,439	2,904,694
Accounts receivable	4	38,574,707	39,198,543	35,734,721
Financial assets at fair value through profit or loss	5	4,608,297	4,741,997	4,744,035
Available for sale investment		1,977,621	1,977,621	2,169,087
Investment properties		2,146,535	2,146,535	2,032,335
Other receivables and prepayments		787,592	732,337	321,207
Other assets		53,564	53,214	24,771
Total assets		52,192,446	54,434,791	51,016,492

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	6	17,530,304	19,015,614	17,099,816
Accounts payable and other credit balances		2,470,608	3,354,287	2,510,300
Provision for staff indemnity		484,358	471,845	432,077
Total liabilities		20,485,270	22,841,746	20,042,193

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
Accumulated losses		(1,997,013)	(2,111,144)	(2,722,240)
Total equity attributable to the shareholders of the Company		31,699,526	31,585,395	30,974,299
Non-controlling interest		7,650	7,650	-
Total equity		31,707,176	31,593,045	30,974,299
Total liabilities and equity		52,192,446	54,434,791	51,016,492

Bader Abdulla Al- Sumait
Chairman

Salah Mohamad Al-Wazzan
Vice Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2013 (Unaudited)

	NOTE	Three months ended 31 March	
		2013	2012
		KD	KD
INCOME			
Finance revenues		1,056,952	992,905
Net investment (loss)/ gain	7	39,743	17,659
Other income		135,962	185,320
		1,232,657	1,195,884

EXPENSES			
Finance cost		(275,103)	(278,905)
(Provide) / reverse provision for doubtful debts	4	(488,224)	55,167
General and administrative expenses		(353,920)	(381,244)
		(1,117,247)	(604,982)

Profit before provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		115,410	590,902
Zakat		(1,279)	(6,384)
Net profit for the period		114,131	584,518
Earnings per share (fils)	8	0.37	1.89

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended 31 March 2013 (Unaudited)

	NOTE	Three months ended 31 March	
		2013	2012
		KD	KD
Net profit for the period		114,131	584,518
Other comprehensive income for the period		-	-
Total comprehensive income for the period		114,131	584,518

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2013 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	KD	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	-	30,389,781
Net profit for the period	-	-	-	-	584,518	584,518	-	584,518
Balance at 31 March 2012	30,874,759	312,020	1,265,937	1,243,823	(2,722,240)	30,974,299	-	30,974,299
Balance at 1 January 2013	30,874,759	312,020	1,265,937	1,243,823	(2,111,144)	31,585,395	7,650	31,593,045
Net profit for the period	-	-	-	-	114,131	114,131	-	114,131
Balance at 31 March 2013	30,874,759	312,020	1,265,937	1,243,823	(1,997,013)	31,699,526	7,650	31,707,176

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 2013 (Unaudited)

	NOTE	Three months ended 31 March	
		2013	2012
		KD	KD
OPERATING ACTIVITIES			
Net profit for the period		114,131	584,518
Adjustments for:			
Depreciation and amortization		5,768	3,501
Provide / (reverse) provision for doubtful debts		488,224	(55,167)
Net investment gain		(39,743)	(17,659)
Income from murabaha receivable		(14,858)	(3,412)
Finance cost		275,103	278,905
Provision for staff indemnity		16,078	16,398
		844,703	807,084
Accounts receivable		135,612	(1,669,021)
Financial assets at fair value through profit or loss		162,177	(10,763)
Other receivables and prepayments		(55,255)	3,030
Accounts payable and other credit balances		(883,679)	24,100
Payments of staff indemnity		(3,565)	-
Net cash generated by / (used in) operating activities		199,993	(845,570)
INVESTING ACTIVITIES			
Investments in Murabaha receivable		-	(1,397,396)
Dividends received		11,265	10,881
Purchase of property and equipment		(6,118)	(6,144)
Net cash generated by / (used in) investing activities		5,147	(1,392,659)
FINANCING ACTIVITIES			
Net movement in Islamic Murabaha and Wakala payables		(1,485,310)	2,234,403
Finance cost paid		(275,103)	(278,905)
Net cash (used in) / generated by financing activities		(1,760,413)	1,955,498
Net decrease in cash and cash equivalents		(1,555,273)	(282,731)
Cash and cash equivalents at beginning of the period		2,470,105	3,368,373
Cash and cash equivalents at end of the period		914,832	3,085,642

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 2013 (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 Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the “Companies Law”), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Industry and Commerce by 26 September 2013 will determine the basis and rules which the Company shall adopt to regularise its affairs with the Companies Law as amended.

On 5 September 2013, the General Assembly meeting approved the financial statements for the year ended 31 December 2012 and approved not to distribute dividends.

The interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 11 June 2013.

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”.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements in accordance with International Financial Reporting Standards as adapted in state of Kuwait for financial institutions subject to regulations of the Central Bank of Kuwait and Capital Market Authority.

In the management’s opinion, all necessary adjustments, including recurring accruals have been included in the interim condensed consolidated financial information for fair presentation. The operating results for the period ended 31 March 2013 are not necessarily indicative of results that may be expected for the year ending

31 December 2013. For further information, it is possible to refer to the consolidated financial statements and its related notes for to the year ended 31 December 2012.

The accounting policies used in preparing the interim condensed consolidated financial information similar to those used in the preparation of consolidated financial statements for the year ended 31 December 2012 except for the adoption of the new and amended IFRS that have become effective from 1 January 2013 and those which are applicable to the Group:

- ***IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7***

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard has not resulted in any material impact on the interim condensed consolidated financial information of the Group and the relevant disclosures will be made in the annual consolidated financial statements of the Group.
- ***IFRS 10 – Consolidated Financial Statements, IAS 27 Separate Financial Statements***

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements' and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.
- ***IFRS 12 – Disclosure of Involvement with Other Entities***

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The adoption of this standard has not resulted in any material additional disclosures. The Group will review before the year end and may disclose any additional disclosure in the annual financial statements of the Group.
- ***IFRS 13 – Fair Value measurement***

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. The adoption of this standard has not resulted in any additional disclosure in the interim condensed consolidated financial statements. However additional disclosure may be made in the annual financial statement of the Group.
- ***IAS 1 Financial Statement Presentation***

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard has not resulted in presentation changes in statement of profit or loss and other comprehensive income.
- ***IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)***

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard has not resulted in any impact on the financial position or performance of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

3. INVESTMENT IN MURABAHA RECEIVABLE

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

4. ACCOUNTS RECEIVABLE

	31 March 2013	31 December 2012 (Audited)	31 March 2012
	KD	KD	KD
Gross receivables	60,220,714	60,443,749	55,779,111
Less: deferred revenues	(10,324,753)	(10,412,176)	(10,036,970)
Less: provision for doubtful debts	(11,321,254)	(10,833,030)	(10,007,420)
Accounts receivable – net	38,574,707	39,198,543	35,734,721

Receivables aging 90 days and below are fully performing. At 31 March 2013, gross receivables of KD 39,910,739 (31 December 2012: KD 41,000,679, 31 March 2012: KD 36,303,824) were fully performing.

- Aging of impaired receivables*

	31 March 2013	31 December 2012 (Audited)	31 March 2012
	KD	KD	KD
91 – 180 days	1,955,415	1,923,627	1,284,612
181 – 360 days	1,479,442	929,123	1,961,317
More than 360 days	16,875,118	16,590,320	16,229,358
Total	20,309,975	19,443,070	19,475,287

- Movement of the provision for doubtful debts*

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2013	9,539,042	1,293,988	10,833,030
Charge during the period	165,207	323,017	488,224
Balance at 31 March 2013	9,704,249	1,617,005	11,321,254
Balance at 1 January 2012	9,396,601	665,986	10,062,587
Recovery during the period	(73,201)	18,034	(55,167)
Balance at 31 March 2012	9,323,400	684,020	10,007,420

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 14,546,452 (31 December 2012: KD 11,959,338; 31 March 2012: KD 13,392,588) as collateral over its accounts receivable. Management believes that there is no further credit provision required in excess of the provision for doubtful debts.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2013	31 December 2012	31 March 2012
	(Audited)		
	KD	KD	KD
Investments in quoted local shares	6,382	134,112	120,078
Investments in unquoted local shares	4,355,196	4,361,206	4,331,293
Investments in unquoted foreign shares	246,719	246,679	292,664
	4,608,297	4,741,997	4,744,035

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 2012. Investments in funds are evaluated based on the last available NAV from the fund manager.

6. ISLAMIC MURABAHA AND WAKALA PAYABLES

Islamic Murabaha and Wakala payables are obtained from local banks and are dominated in KD. The average cost on Islamic Murabaha and Wakala payables is 6.05% (31 December 2012: 6.6%; 31 March 2012: 6.83%).

Islamic Murabaha and Wakala payables are guaranteed against the following:

	31 March 2013	31 December 2012	31 March 2012
	(Audited)		
	KD	KD	KD
Investment in Murbaha receivables	3,129,298	3,114,439	2,904,694
Assigning receivables	36,232,822	35,553,087	22,045,448
Available for sale investment	1,582,097	1,582,097	1,735,270

7. NET INVESTMENT GAIN

	Three months ended 31 March	
	2013	2012
	KD	KD
Change in fair value of financial assets at FVTPL	(5,972)	6,778
Realized gain on disposal of financial assets at FVTPL	34,450	-
Dividend income	11,265	10,881
	39,743	17,659

8. 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	
	2013	2012
	KD	KD
Net profit for the period	114,131	584,518
Weighted average number of the Parent Company's outstanding shares	308,747,591	308,747,591
Earnings per share (Fils)	0.37	1.89

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:

	31 March	31 December	31 March
	2013	2012	2012
	(Audited)		
	KD	KD	KD
a) Accounts receivable	34,327	22,042	55,234
b) Investments managed by major shareholder	3,817,536	3,951,237	3,756,144
c) Due from related party (Qatar Finance House Company QPSC)	214,448	214,448	222,524
d) Key management's benefits payable	271,336	263,650	240,593
e) Compensation of key management personnel			
Salaries and other short term benefits	209,505	447,816	221,365

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.

	31 March 2013			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,161,721	39,743	31,193	1,232,657
Segment expenses	(774,207)	-	(344,319)	(1,118,526)
Segment results	387,514	39,743	(313,126)	114,131
Segment assets	42,618,837	8,732,453	841,156	52,192,446
Segment liabilities	17,530,304	-	2,954,966	20,485,270

	31 March 2012			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	996,604	17,659	236,788	1,251,051
Segment expenses	(223,738)	-	(442,795)	(666,533)
Segment results	772,866	17,659	(206,007)	584,518
Segment assets	38,847,814	11,850,151	318,527	51,016,492
Segment liabilities	17,099,816	-	2,942,377	20,042,193



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