AL MANAR
FINANCING & LEASING

2015

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 2015
(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 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-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 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 and of its executive regulation or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2015 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 regulation or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2015, that might had a material effect on the business of Group or on its consolidated financial position.

Bader A. Al-Wazzan

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

Kuwait, 27 May 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015 (Unaudited)

	NOTE	31 March 2015 KD	31 December 2014 (Audited) KD	31 March 2014 KD
ASSETS				
Cash and cash equivalents		2,559,139	2,235,336	547,861
Investment in Murabaha receivable	4	3,000,000	3,000,000	3,150,820
Finance receivables	5	32,711,814	31,582,672	37,161,739
Financial assets at fair value through profit or loss		4,001,939	4,001,939	3,944,173
Available for sale investments		1,776,636	1,871,876	1,871,876
Investment properties		2,146,535	2,146,535	2,146,535
Other receivables and prepayments		326,534	315,501	318,033
Other assets		46,523	47,436	57,387
Total assets		**46,569,120**	**45,201,295**	**49,198,424**
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables and Islamic Wakala	6	7,979,330	6,927,960	10,553,895
Accounts payable and other credit balances		1,326,489	1,347,584	3,275,791
Other credit balances		535,024	647,051	728,545
Provision for staff indemnity		700,371	643,774	564,840
Total liabilities		**10,541,214**	**9,566,369**	**15,123,071**
EQUITY				
Share capital		30,874,759	30,874,759	30,874,759
Share premium		312,020	312,020	312,020
Statutory reserve		1,493,169	1,493,169	1,265,937
Voluntary reserve		1,196,026	1,196,026	1,243,823
Retained earnings		2,144,282	1,751,302	371,164
Total equity attributable to the shareholders of the Parent Company		36,020,256	35,627,276	34,067,703
Non-controlling interests		7,650	7,650	7,650
Total equity		**36,027,906**	**35,634,926**	**34,075,353**
Total liabilities and equity		**46,569,120**	**45,201,295**	**49,198,424**

Bader Abdulla Al- Sumait
Chairman

Salah Mohamad Al-Wazzan
Vice Chairman

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2015 (Unaudited)

	NOTE	Three months ended 31 March 2015 KD	Three months ended 31 March 2014 KD
REVENUES			
Finance revenues		921,524	1,195,789
Other income		156,264	79,830
		1,077,788	**1,275,619**

	NOTE	2015 KD	2014 KD
EXPENSES			
Investments losses	7	95,240	101
Finance cost		104,200	150,854
Provision for doubtful debts	5	66,208	62,764
Staff cost		293,806	228,739
General and administrative expenses		117,165	176,804
		676,619	**619,262**

	NOTE	2015 KD	2014 KD
Profit before deductions		401,169	656,357
Kuwait Foundation Advancement of Science		(3,611)	(3,431)
Zakat		(4,578)	(6,733)
Net profit for the period		**392,980**	**646,193**
Other comprehensive income		-	-
Total comprehensive income		392,980	646,193
Earnings per share (Fils)	**8**	**1.27**	**2.09**

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 31 MARCH 2015 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Retained earnings	Total	Non-controlling interest	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2014	30,874,759	312,020	1,265,937	1,243,823	(275,029)	33,421,510	7,650	**33,429,160**
Net profit for the period	-	-	-	-	646,193	646,193	-	**646,193**
Balance at 31 March 2014	30,874,759	312,020	1,265,937	1,243,823	371,164	34,067,703	7,650	**34,075,353**
Balance at 1 January 2015	30,874,759	312,020	1,493,169	1,196,026	1,751,302	35,627,276	7,650	**35,634,926**
Net profit for the period	-	-	-	-	392,980	392,980	-	**392,980**
Balance at 31 March 2015	30,874,759	312,020	1,493,169	1,196,026	2,144,282	36,020,256	7,650	**36,027,906**

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 2015 (Unaudited)

	NOTE	Three months ended 31 March 2015 KD	Three months ended 31 March 2014 KD
OPERATING ACTIVITIES			
Net profit for the period		392,980	646,193
Adjustments for:			
Depreciation and amortization		8,153	8,118
Provision for doubtful debts		66,208	62,764
Investments losses		95,240	101
Income from Murabaha receivable		(9,819)	(10,788)
Finance cost		104,200	150,854
Provision for staff indemnity		56,597	16,983
		713,559	**874,225**
Finance receivables		(1,195,350)	2,752,210
Other receivables and prepayments		(11,033)	38,941
Accounts payable and other credit balances		(133,122)	(1,601,299)
Net cash (used in)/ generated by operating activities		(625,946)	2,064,077
INVESTING ACTIVITIES			
Income from Murabaha receivable		9,819	-
Purchase of property and equipment		(7,240)	(3,006)
Net cash generated by/ (used in) investing activities		**2,579**	**(3,006)**
FINANCING ACTIVITIES			
Net movement in Murabaha payables and Islamic Wakala		1,051,370	(1,882,538)
Finance cost paid		(104,200)	(150,854)
Net cash generated by/ (used in) financing activities		947,170	(2,033,392)
Net increase in cash and cash equivalents		**323,803**	**27,679**
Cash and cash equivalents at beginning of the period		**2,235,336**	**520,182**
Cash and cash equivalents at end of the period		**2,559,139**	**547,861**

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 2015 (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 Sharia 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 General Assembly meeting was not held for the year ended 31 December 2014, accordingly the consolidated financial statements for the year ended 31 December 2014 were not yet approved.

The interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 27 May 2015.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 2015 are not necessarily indicative of results that may be expected for the year ending 31 December 2015. For further information, it is possible to refer to the consolidated financial statements and its related notes for to the year ended 31 December 2014.

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 2014, except for the adoption of the new and amended IFRS that have become effective and those which are applicable to the Group.

New and revised IFRSs issued and effective

In the current period, the Group has applied a number of new and revised IFRSs that are issued and effective.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

Annual improvements 2010-2012 Cycle

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

Annual improvements 2011-2013 Cycle

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The adoption of these standards did not have any significant or material impact on the interim condensed consolidated financial information of the Group.

New and revised IFRSs in issue but not yet effective

- ***For annual periods beginning on or after 1 January 2016***

  Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

  Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation & Amortisation

  Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

  The directors of the Parent Company do not anticipate that the application of these amendments will have a material impact on the Group's interim condensed consolidated financial information.

- ***Effective for annual periods beginning on or after 1 January 2017***

  IFRS 15 Revenue from Contracts with Customers

  The directors of the Parent Company anticipate that the application of these IFRS 15 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

- ***Effective for annual periods beginning on or after 1 January 2018***

  IFRS 9 Financial Instruments

  The directors of the Parent Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review

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)**	**Relationship of unobservable inputs to fair value**
	31 March 2015	**31 Dec. 2014**			
	KD	KD			
Fair value through profit or loss:					
Local unquoted shares	3,901,491	3,901,491	Level 2	Market comparative prices of identical assets	The higher the market comparatives, the higher the fair value
Local Funds	100,448	100,448	Level 2	NAV	N/A

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

4. INVESTMENT IN MURABAHA RECEIVABLE

Investments in Murabaha receivable are the deposited amounts at a local financial institutions according to Murabaha contracts. The average yield on those contracts is approximately 1.15% per annum.

5. FINANCE RECEIVABLE

	31 March 2015	31 December 2014 (Audited)	31 March 2014
	KD	KD	KD
Finance receivables	41,626,579	40,093,196	46,527,664
Finance receivables after write off	-	-	26,595
Less: deferred revenues	(5,426,685)	(5,161,497)	(6,468,462)
Less: provision for doubtful debts	(3,488,080)	(3,349,027)	(2,924,058)
Finance receivables – net	**32,711,814**	**31,582,672**	**37,161,739**

5.1 Finance receivables of KD 25,861,045 as at 31 March 2015 (31 December 2014: KD 25,072,128; 31 March 2014: KD 26,812,811) were fully performing.

5.2 Finance receivables amounted to KD 11,862,296 as at 31 March 2015 (31 December 2014: KD 11,149,777; 31 March 2014: KD 15,391,270) is due from 1 to 90 and not impaired, and for which no specific provision are provided.

5.3 Finance receivables amounted to KD 3,903,238 as at 31 March 2015 (31 December 2014: KD 3,871,291;31 March 2014: KD 4,350,178) due and not collected and impaired are as follows:

- ***Aging of impaired receivables***

	31 March 2015	31 December 2014 (Audited)	31 March 2014
	KD	KD	KD
91 – 180 days	947,031	957,521	689,606
181 – 360 days	687,804	677,707	713,421
More than 360 days	2,268,403	2,236,063	2,947,151
Total	**3,903,238**	**3,871,291**	**4,350,178**

- ***Movement of the provision for doubtful debts***

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2015	**1,469,991**	**1,879,036**	**3,349,027**
Charge during the period	107,063	31,990	**139,053**
Balance at 31 March 2015	**1,577,054**	**1,911,026**	**3,488,080**
Balance at 1 January 2014	**1,462,677**	**1,395,850**	**2,858,527**
Charge during the period	161,637	(96,106)	**65,531**
Balance at 31 March 2014	**1,624,314**	**1,299,744**	**2,924,058**

In determining the recoverability of finance receivables, the Group considers any change in the credit quality of the receivable from the date credit was initially granted till to the reporting date. The Group holds KD 13,392,406 (31 December 2014: KD 12,413,400; 31 March 2014: KD 14,571,075) as collateral over its finance receivables.

Management believes that there is no further credit provision required in excess of the provision for doubtful debts.

During the current period the Group recovered an amount of KD 72,845 (31 March 2014: KD 2,767) from the written off finance receivables and reversed the same in the statement of income in provision for doubtful debts.

6. ISLAMIC MURABAHA AND WAKALA PAYABLES

Murabaha payables and Islamic Wakala are obtained from local banks and are dominated in KD. The average cost on Murabaha payables and Islamic Wakala is 5.69% (31 December 2014: 5.92%; 31 March 2014: 5.39%).

Murabaha payables and Islamic Wakala are guaranteed against the following:

	31 March 2015	31 December 2014 (Audited)	31 March 2014
	KD	KD	KD
Investment in Murabaha receivables	3,000,000	3,000,000	3,150,820
Assigning receivables – net	6,281,399	7,723,452	10,058,712
Available for sale investments	1,421,309	1,497,501	1,497,501
Investment properties	2,146,535	2,146,535	-

7. INVESTMENTS LOSSES

	Three months ended 31 March	
	2015	2014
	KD	KD
Loss from impairment on available for sale investments	95,240	-
Change in fair value of financial assets at FVTPL	-	101
	95,240	**101**

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	
	2015	2014
	KD	KD
Net profit for the period	392,980	646,193
Weighted average number of the Parent Company’s outstanding shares	308,747,591	308,747,591
Earnings per share (Fils)	**1.27**	**2.09**

9. 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 2015	31 December 2014 (Audited)	31 March 2014
		KD	KD	KD
a)	Finance receivables	63,794	47,452	60,841
b)	Investments managed by major shareholder	-	-	3,704,761
c)	Due from related party (Qatar Finance House Company QPSC)	77,416	77,416	83,416
d)	Key management's benefits payable	399,402	352,308	327,319
e)	Compensation of key management personnel			
	Salaries and other short term benefits	247,461	524,910	226,135
f)	Board of Directors' remunerations	-	23,000	-
g)	Board of Directors' Committee remunerations	-	25,000	-

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 2015			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,017,229	-	60,559	**1,077,788**
Segment expenses	(170,408)	(95,240)	(410,971)	**(676,619)**
Segment results	846,821	(95,240)	(350,412)	**401,169**
Segment assets	38,270,953	7,925,110	373,057	**46,569,120**
Segment liabilities	9,305,819	-	1,235,395	**10,541,214**

	31 March 2014			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,385,202	-	(109,583)	**1,275,619**
Segment expenses	(270,842)	(101)	(358,483)	**(629,426)**
Segment results	1,114,360	(101)	(468,066)	**646,193**
Segment assets	40,860,420	7,962,584	375,420	**49,198,424**
Segment liabilities	13,829,686	-	1,293,385	**15,123,071**

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2015