

# 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 31 MARCH 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 31 March 2012 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 Commercial Companies law 1960, as amended or of the Parent Company's Articles of Association have occurred during the three-months period ended 31 March 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 three-months period ended 31 March 2012.

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**Jassim Ahmad Al-Fahad**

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

**Kuwait, 11 June 2012**

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**Dr. Saud Hamad Al-Humaidi**

License No. 51 A  
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Member of Baker Tilly International



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012 (Unaudited)

|   | NOTE | 31 March<br>2012<br>KD | 31 December<br>2011<br>(Audited)<br>KD | 31 March<br>2011<br>KD |
|---|------|------------------------|--|------------------------|
| <b>ASSETS</b>   |      |                        |  |                        |
| Cash and cash equivalents                             |      | 3,085,642              | 3,368,373                              | 1,453,351              |
| Investment in Murabaha receivable                     | 3    | 2,904,694              | 1,503,886                              | -                      |
| Accounts receivable                                   | 4    | 35,734,721             | 34,010,533                             | 38,552,527             |
| Financial assets at fair value through profit or loss | 5    | 4,744,035              | 4,726,494                              | 7,741,028              |
| Available for sale investment                         |      | 2,169,087              | 2,169,087                              | -                      |
| Investment in associate                               |      | -                      | -                                      | 3,755,538              |
| Investment properties                                 |      | 2,032,335              | 2,032,335                              | 1,163,240              |
| Other receivables and prepayments                     |      | 98,683                 | 109,789                                | 965,849                |
| Due from related party                                | 9    | 222,524                | 214,448                                | 214,015                |
| Intangible assets                                     |      | 3,072                  | 4,071                                  | 7,362                  |
| Property and equipment                                |      | 21,699                 | 18,057                                 | 8,627                  |
| <b>Total assets</b>                                   |      | <b>51,016,492</b>      | <b>48,157,073</b>                      | <b>53,861,537</b>      |

### LIABILITIES AND EQUITY

|  |   |                   |                   |                   |
|--|---|-------------------|-------------------|-------------------|
| <b>LIABILITIES</b>                         |   |                   |                   |                   |
| Islamic Murabaha and Wakala payables       | 6 | 17,099,816        | 14,865,413        | 17,724,236        |
| Accounts payable and other credit balances |   | 2,510,300         | 2,486,200         | 1,016,798         |
| Provision for staff indemnity              |   | 432,077           | 415,679           | 351,035           |
| <b>Total liabilities</b>                   |   | <b>20,042,193</b> | <b>17,767,292</b> | <b>19,092,069</b> |

|  |  |                   |                   |                   |
|--|--|-------------------|-------------------|-------------------|
| <b>EQUITY</b>                            |  |                   |                   |                   |
| 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 |  | (2,722,240)       | (3,306,758)       | 957,288           |
| <b>Total equity</b>                      |  | <b>30,974,299</b> | <b>30,389,781</b> | <b>34,769,468</b> |
| <b>Total liabilities and equity</b>      |  | <b>51,016,492</b> | <b>48,157,073</b> | <b>53,861,537</b> |

**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 2012 (Unaudited)

|  | NOTE | Three months ended<br>31 March |                  |
|--|------|--------------------------------|------------------|
|  |      | 2012                           | 2011             |
|  |      | KD                             | KD               |
| <b>INCOME</b>                            |      |                                |                  |
| Finance revenues                         |      | 992,905                        | 1,147,669        |
| Net investment gain /( loss)             | 7    | 17,659                         | (16,380)         |
| Recovery of allowance for doubtful debts | 4    | 55,167                         | 196,526          |
| Other income                             |      | 185,320                        | 63,526           |
|  |      | <b>1,251,051</b>               | <b>1,391,341</b> |

| <b>EXPENSES</b>                     |  |                  |                  |
|-------------------------------------|--|------------------|------------------|
| Finance cost                        |  | (278,905)        | (328,965)        |
| General and administrative expenses |  | (381,244)        | (445,513)        |
|                                     |  | <b>(660,149)</b> | <b>(774,478)</b> |

|   |          |                |                |
|---|----------|----------------|----------------|
| <b>Profit before provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat</b> |          | 590,902        | 616,863        |
| Provision for contribution to KFAS  |          | -              | (5,552)        |
| Zakat   |          | (6,384)        | (6,097)        |
| <b>Net profit for the period</b>  |          | <b>584,518</b> | <b>605,214</b> |
| <b>Earnings per share (fils)</b>  | <b>8</b> | <b>1.89</b>    | <b>1.96</b>    |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three month period ended 31 March 2012 (Unaudited)

|  | NOTE | Three months ended<br>31 March |                |
|--|------|--------------------------------|----------------|
|  |      | 2012                           | 2011           |
|  |      | KD                             | KD             |
| Net profit for the period                        |      | 584,518                        | 605,214        |
| Other comprehensive income for the period        |      | -                              | -              |
| <b>Total comprehensive income for the period</b> |      | <b>584,518</b>                 | <b>605,214</b> |



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 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                |
| <b>Balance at 1 January 2012</b> | 30,874,759    | 312,020       | 1,265,937         | 1,243,823         | -                                    | (3,306,758)                              | <b>30,389,781</b> |
| Net profit for the period        | -             | -             | -                 | -                 | -                                    | 584,518                                  | <b>584,518</b>    |
| <b>Balance at 31 March 2012</b>  | 30,874,759    | 312,020       | 1,265,937         | 1,243,823         | -                                    | (2,722,240)                              | <b>30,974,299</b> |
| <b>Balance at 1 January 2011</b> | 30,874,759    | 312,020       | 1,265,937         | 1,243,823         | 115,641                              | 352,074                                  | <b>34,164,254</b> |
| Net profit for the period        | -             | -             | -                 | -                 | -                                    | 605,214                                  | <b>605,214</b>    |
| <b>Balance at 31 March 2011</b>  | 30,874,759    | 312,020       | 1,265,937         | 1,243,823         | 115,641                              | 957,288                                  | <b>34,769,468</b> |

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 2012 (Unaudited)

|  | NOTE | Three months ended<br>31 March |                    |
|--|------|--------------------------------|--------------------|
|  |      | 2012                           | 2011               |
|  |      | KD                             | KD                 |
| <b>OPERATING ACTIVITIES</b>                            |      |                                |                    |
| Net profit for the period                              |      | 584,518                        | 605,214            |
| Adjustments for:                                       |      |                                |                    |
| Depreciation and amortization                          |      | 3,501                          | 4,317              |
| Recovery of allowance for doubtful debts               |      | (55,167)                       | (196,526)          |
| Net investment (gain) / loss                           |      | (17,659)                       | 16,380             |
| Income from murabaha receivable                        |      | (3,412)                        | -                  |
| Finance cost   |      | 278,905                        | 328,965            |
| Provision for staff indemnity                          |      | 16,398                         | 16,053             |
|  |      | <b>807,084</b>                 | <b>774,403</b>     |
| Accounts receivable                                    |      | (1,669,021)                    | 4,670,275          |
| Financial assets at fair value through profit or loss  |      | (10,763)                       | -                  |
| Other receivables and prepayments                      |      | 3,030                          | 7,376              |
| Due from related party                                 |      | -                              | (150)              |
| Accounts payable and other credit balances             |      | 24,100                         | (880,439)          |
| Payments of staff indemnity                            |      | -                              | (23,239)           |
| Net cash (used in) / generated by operating activities |      | (845,570)                      | 4,548,226          |
| <b>INVESTING ACTIVITIES</b>                            |      |                                |                    |
| Investments in Murabaha receivable                     |      | (1,397,396)                    | -                  |
| Dividends received                                     |      | 10,881                         | -                  |
| Purchase of property and equipment                     |      | (6,144)                        | (2,654)            |
| Net cash used in investing activities                  |      | <b>(1,392,659)</b>             | <b>(2,654)</b>     |
| <b>FINANCING ACTIVITIES</b>                            |      |                                |                    |
| Net movement in Islamic Murabaha and Wakala payables   |      | 2,234,403                      | (4,363,470)        |
| Finance cost paid                                      |      | (278,905)                      | (328,965)          |
| Net cash generated by /(used in) financing activities  |      | <b>1,955,498</b>               | <b>(4,692,435)</b> |
| Net decrease in cash and cash equivalents              |      | <b>(282,731)</b>               | <b>(146,863)</b>   |
| Cash and cash equivalents at beginning of the period   |      | <b>3,368,373</b>               | <b>1,600,214</b>   |
| Cash and cash equivalents at end of the period         |      | <b>3,085,642</b>               | <b>1,453,351</b>   |

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 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 31 May 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 three-month period ended 31 March 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. ACCOUNTS RECEIVABLE

|                                    | 31 March<br>2012  | 31 December<br>2011<br>(Audited) | 31 March<br>2011  |
|------------------------------------|-------------------|----------------------------------|-------------------|
|                                    | KD                | KD                               | KD                |
| Gross receivables                  | 55,779,111        | 53,857,354                       | 58,813,657        |
| Less: deferred revenues            | (10,036,970)      | (9,784,234)                      | (11,068,006)      |
| Less: provision for doubtful debts | (10,007,420)      | (10,062,587)                     | (9,193,124)       |
| <b>Accounts receivable – net</b>   | <b>35,734,721</b> | <b>34,010,533</b>                | <b>38,552,527</b> |

Receivables aging 90 days and below are fully performing. At 31 March 2012, gross receivables of KD 36,303,824 (31 December 2011: KD 34,176,796, 31 March 2011: KD 35,481,096) were fully performing.

- Aging of impaired receivables*

|                    | 31 March<br>2012  | 31 December<br>2011<br>(Audited) | 31 March<br>2011  |
|--------------------|-------------------|----------------------------------|-------------------|
|                    | KD                | KD                               | KD                |
| 91 – 180 days      | 1,284,612         | 1,138,049                        | 2,929,090         |
| 181 – 360 days     | 1,961,317         | 2,696,028                        | 5,119,493         |
| More than 360 days | 16,229,358        | 15,846,481                       | 15,283,978        |
| <b>Total</b>       | <b>19,475,287</b> | <b>19,680,558</b>                | <b>23,332,561</b> |

- Movement of the provision for doubtful debts*

|                                       | Specific<br>provision | General<br>provision | Total             |
|---------------------------------------|-----------------------|----------------------|-------------------|
|                                       | KD                    | KD                   | KD                |
| <b>Balance at 1 January 2012</b>      | <b>9,396,601</b>      | <b>665,986</b>       | <b>10,062,587</b> |
| (Recovery) / charge during the period | (73,201)              | 18,034               | (55,167)          |
| <b>Balance at 31 March 2012</b>       | <b>9,323,400</b>      | <b>684,020</b>       | <b>10,007,420</b> |
| <b>Balance at 1 January 2011</b>      | <b>9,055,148</b>      | <b>334,502</b>       | <b>9,389,650</b>  |
| Recovery during the period            | (160,470)             | (36,056)             | (196,526)         |
| <b>Balance at 31 March 2011</b>       | <b>8,894,678</b>      | <b>298,446</b>       | <b>9,193,124</b>  |

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 13,392,588 (31 December 2011: KD 11,664,356; 31 March 2011: KD 20,240,328) 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 22,045,448, (31 December 2011: KD 23,990,904; 31 March 2011: KD 26,320,339) pledged as collateral against Islamic Murabaha and Wakala payables .

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | 31 March<br>2012 | 31 December<br>2011<br>(Audited) | 31 March<br>2011 |
|--|------------------|----------------------------------|------------------|
|  | KD               | KD                               | KD               |
| Investments in quoted local shares     | 120,078          | 102,537                          | 82,896           |
| Investments in unquoted local shares   | 4,331,293        | 4,331,293                        | 7,344,808        |
| Investments in unquoted foreign shares | 292,664          | 292,664                          | 313,324          |
|  | <b>4,744,035</b> | <b>4,726,494</b>                 | <b>7,741,028</b> |

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 6.83% (31 December 2011: 7.19%; 31 March 2011: 7.26%).

## 7. NET INVESTMENT GAIN / (LOSS)

|   | Three months ended<br>31 March |                 |
|---|--------------------------------|-----------------|
|   | 2012                           | 2011            |
|   | KD                             | KD              |
| Change in fair value of financial assets at FVTPL | 6,778                          | (16,380)        |
| Dividend income                                   | 10,881                         | -               |
|   | <b>17,659</b>                  | <b>(16,380)</b> |

## 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<br>31 March |             |
|--|--------------------------------|-------------|
|  | 2012                           | 2011        |
|  | KD                             | KD          |
| Net profit for the period  | 584,518                        | 605,214     |
| Weighted average number of the Parent Company's outstanding shares | 308,747,590                    | 308,747,590 |
| <b>Earnings per share (Fils)</b>                                   | <b>1.89</b>                    | <b>1.96</b> |



## 9. 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 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<br>2012 | 31 December<br>2011<br>(Audited) | 31 March<br>2011 |
|--|------------------|----------------------------------|------------------|
|  | KD               | KD                               | KD               |
| a) Accounts receivable                                       | 55,234           | 54,118                           | 61,730           |
| b) Investments managed by major shareholder                  | 3,756,144        | 4,346,494                        | 7,276,360        |
| c) Due from related party (Qatar Finance House Company QPSC) | 222,524          | 214,448                          | 214,015          |
| d) Compensation of key management personnel                  |                  |                                  |                  |
| Salaries and other short term benefits                       | 221,365          | 482,919                          | 206,057          |

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

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



# المينار

للتموويل والإدارة



2012