

AL MANAR

FINANCING & LEASING



2014

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 2014
(UNAUDITED)

INDEX	PAGE
Review report on interim condensed consolidated financial information	2-3
Interim condensed consolidated statement of financial position (unaudited)	4
Interim condensed consolidated statement of comprehensive income (unaudited)	5
Interim condensed consolidated statement of changes in equity (unaudited)	6
Interim condensed consolidated statement of cash flows (unaudited)	7
Notes to the interim condensed consolidated financial information (unaudited)	8-13



Al-Fahad Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174 Safat 13062 or
P.O. Box 23049 Safat 13091
Kuwait
Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com



Dr. Saud Al-humaidi & Partners
Public Accountants

P.O.BOX 1486
Safat, 13015 kuwait
Tel: +965 22443222
+965 22442333
Fax: +965 22461225
www.bakertillykuwait.com

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 Company" and its subsidiaries, "collectively referred to as the Group" as of 31 March 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-months period then ended. The 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 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 regulations or of the Company's Memorandum and Articles of Association have occurred during the three-months period ended 31 March 2014 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 or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the three-months period ended 31 March 2014, that might had a material effect on the business of Company or its consolidated financial position.

Bader A. Al-Wazzan

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

Kuwait, 30 April 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014 (Unaudited)

	NOTE	31 March 2014	31 December 2013 (Audited)	31 March 2013
		KD	KD	KD
ASSETS				
Cash and cash equivalents		547,861	520,182	914,832
Investment in Murabaha receivable	4	3,150,820	3,140,032	3,129,298
Finance receivables	5	37,161,739	39,976,713	38,574,707
Financial assets at fair value through profit or loss	6	3,944,173	3,944,274	4,608,297
Available for sale investment		1,871,876	1,871,876	1,977,621
Investment properties		2,146,535	2,146,535	2,146,535
Other receivables and prepayments		318,033	356,974	787,592
Other assets		57,387	62,499	53,564
Total assets		49,198,424	52,019,085	52,192,446

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	7	10,553,895	12,436,433	17,530,304
Accounts payable		3,275,791	5,023,068	2,064,281
Other credit balances		728,545	582,567	406,327
Provision for staff indemnity		564,840	547,857	484,358
Total liabilities		15,123,071	18,589,925	20,485,270

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
Retained earnings/ (accumulated losses)		371,164	(275,029)	(1,997,013)
Total equity attributable to the shareholders of the Company		34,067,703	33,421,510	31,699,526
Non-controlling interest		7,650	7,650	7,650
Total equity		34,075,353	33,429,160	31,707,176
Total liabilities and equity		49,198,424	52,019,085	52,192,446

Bader Abdulla Al- Sumait
Chairman

Salah Mohamad Al-Wazzan
Vice Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014 (Unaudited)

	NOTE	Three months ended 31 March	
		2014	2013
		KD	KD
INCOME			
Finance revenues		1,195,789	1,056,952
Net investment (loss)/ gain	8	(101)	39,743
Other income		79,830	135,962
		1,275,518	1,232,657

EXPENSES			
Finance cost		(150,854)	(275,103)
Provision for doubtful debts	5	(62,764)	(488,224)
Staff cost		(228,739)	(219,523)
General and administrative expenses		(176,804)	(134,397)
		(619,161)	(1,117,247)

Profit before deductions		656,357	115,410
Kuwait Foundation Advancement of Science		(3,431)	-
Zakat		(6,733)	(1,279)
Net profit for the period		646,193	114,131
Other comprehensive income		-	-
Total comprehensive income		646,193	114,131
Earnings per share (Fils)	9	2.09	0.37

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 2014 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	(Accumulated losses)/ retained earnings	Total	Non-controlling interest	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
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
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

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 2014 (Unaudited)

	NOTE	Three months ended 31 March	
		2014	2013
		KD	KD
OPERATING ACTIVITIES			
Net profit for the period		646,193	114,131
Adjustments for:			
Depreciation and amortization		8,118	5,768
Provision for doubtful debts		62,764	488,224
Net investment loss/ (gain)		101	(39,743)
Income from Murabaha receivable		(10,788)	(14,858)
Finance cost		150,854	275,103
Provision for staff indemnity		16,983	16,078
		874,225	844,703
Finance receivables		2,752,210	135,612
Movement of investment		-	162,177
Other receivables and prepayments		38,941	(55,255)
Accounts payable and other credit balances		(1,601,299)	(883,679)
Payments of staff indemnity		-	(3,565)
Net cash generated by operating activities		2,064,077	199,993
INVESTING ACTIVITIES			
Dividends received		-	11,265
Purchase of property and equipment		(3,006)	(6,118)
Net cash (used in)/ generated by investing activities		(3,006)	5,147
FINANCING ACTIVITIES			
Net movement in Islamic Murabaha and Wakala payables		(1,882,538)	(1,485,310)
Finance cost paid		(150,854)	(275,103)
Net cash used in financing activities		(2,033,392)	(1,760,413)
Net increase/ (decrease) in cash and cash equivalents		27,679	(1,555,273)
Cash and cash equivalents at beginning of the period		520,182	2,470,105
Cash and cash equivalents at end of the period		547,861	914,832

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 2014 (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 General Assembly meeting was not held for the year ended 31 December 2013, accordingly the consolidated financial statements for the year ended 31 December 2013 were not yet approved.

The interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 30 April 2014..

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 2014 are not necessarily indicative of results that may be expected for the year ending 31 December 2014. For further information, it is possible to refer to the consolidated financial statements and its related notes for the year ended 31 December 2013.

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 2013 except for the adoption of the new and amended IFRS that have become effective from 1 January 2014 and those which are applicable to the Group:

- ***IAS 32 Offsetting Financial Assets and Financial Liabilities***

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

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 2014	31 Dec. 2013			
	KD	KD			
Fair value through profit or loss:					
Local unquoted shares	3,846,159	3,846,260	Level 2	Market comparative prices of identical assets	The higher the market comparatives, the higher the fair value
Local Funds	98,014	98,014	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 local financial institutions according to Murabaha contracts. The average yield on those contracts is approximately 1% per annum.

5. FINANCE RECEIVABLE

	31 March 2014	31 December 2013	31 March 2013
	(Audited)		
	KD	KD	KD
Finance receivables	46,527,664	49,778,400	60,220,714
Finance receivables after write off	26,595	376,929	-
Less: deferred revenues	(6,468,462)	(7,320,089)	(10,324,753)
Less: provision for doubtful debts	(2,924,058)	(2,858,527)	(11,321,254)
Finance receivables – net	37,161,739	39,976,713	38,574,707

- 5.1 Finance receivables of KD 26,812,811 as at 31 March 2014 (31 December 2013: KD 32,636,279; 31 March 2013: KD 28,743,261) were fully performing.
- 5.2 Finance receivable amounted to KD 15,391,270 as at 31 March 2014 (31 December 2013: KD 12,121,567; 31 March 2013: KD 11,167,478) is due from 1 to 90 and not impaired, and for which no specific provision are provided.
- 5.3 Finance receivable amounted to KD 4,350,178 as at 31 March 2014 (31 December 2013: KD 5,397,483; 31 March 2013: KD 20,309,975) due and not collected and impaired are as follows:

• *Aging of impaired receivables*

	31 March 2014	31 December 2013 (Audited)	31 March 2013
	KD	KD	KD
91 – 180 days	689,606	791,305	1,955,415
181 – 360 days	713,421	1,598,267	1,479,442
More than 360 days	2,947,151	3,007,911	16,875,118
Total	4,350,178	5,397,483	20,309,975

• *Movement of the provision for doubtful debts*

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2014	1,462,677	1,395,850	2,858,527
Charge/ (reversal) during the period	161,637	(96,106)	65,531
Balance at 31 March 2014	1,624,314	1,299,744	2,924,058
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

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 up to the reporting date. The Group holds KD 14,571,075 (31 December 2013: KD 14,820,238; 31 March 2013: KD 14,546,452) 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 period the company recovered an amount of KD 2,767 from the written off finance receivables and reversed the same in the statement of income.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March	31 December	31 March
	2014	2013	2013
	(Audited)		
	KD	KD	KD
Investments in quoted local shares	-	-	6,382
Investments in unquoted local shares	3,944,173	3,944,274	4,355,196
Investments in unquoted foreign shares	-	-	246,719
	3,944,173	3,944,274	4,608,297

7. 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 5.39% (31 December 2013: 5.5%; 31 March 2013: 5.75%).

Islamic Murabaha and Wakala payables are guaranteed against the following:

	31 March	31 December	31 March
	2014	2013	2013
	(Audited)		
	KD	KD	KD
Investment in Murabaha receivables	3,150,820	3,140,032	3,129,298
Assigning receivables – net	10,058,712	11,918,539	15,073,908
Available for sale investment	1,497,501	1,497,501	1,582,097

8. NET INVESTMENT (LOSS)/ GAIN

	Three months ended	
	31 March	
	2014	2013
	KD	KD
Change in fair value of financial assets at FVTPL	(101)	(5,972)
Realized gain on disposal of financial assets at FVTPL	-	34,450
Dividend income	-	11,265
	(101)	39,743

9. 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	
	2014	2013
	KD	KD
Net profit for the period	646,193	114,131
Weighted average number of the Parent Company's outstanding shares	308,747,591	308,747,591
Earnings per share (Fils)	2.09	0.37

10. GENERAL ASSEMBLY MEETING

The financial statements for the year ended 31 December 2013 are not yet issued.

The Board of Directors held on 17 February 2014 proposed to close accumulated losses amounting to KD 275,029 in voluntary reserve. This proposal is subject to the shareholders' approval in the general assembly.

11. 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	31 December	31 March
	2014	2013	2013
		(Audited)	
	KD	KD	KD
a) Finance receivables	60,841	8,224	34,327
b) Investments managed by major shareholder	3,704,761	3,704,862	3,817,536
c) Due from related party (Qatar Finance House Company QPSC)	83,416	164,448	214,448
d) Key management's benefits payable	327,319	318,989	271,336
e) Compensation of key management personnel			
Salaries and other short term benefits	226,135	526,998	209,505

12. 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 2014			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,385,202	(101)	(109,583)	1,275,518
Segment expenses	(270,842)	-	(358,483)	(629,325)
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

	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



المينار

للتموويل والإدارة



2014