

AL MANAR

FINANCING & LEASING



2016

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 2016
(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)	8-14



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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 2016 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. 1 of 2016, or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2016 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 2016, 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, 28 June 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016 (Unaudited)

	NOTE	31 March 2016	31 December 2015 (Audited)	31 March 2015
		KD	KD	KD
ASSETS				
Cash and cash equivalents	4	6,211,634	5,166,009	2,559,139
Investment in Murabaha receivable	5	3,000,000	3,000,000	3,000,000
Finance receivables	6	35,812,291	37,703,470	32,711,814
Financial assets at fair value through profit or loss		3,764,004	3,764,004	4,001,939
Available for sale investments		1,715,885	1,715,885	1,776,636
Investment properties		2,146,535	2,146,535	2,146,535
Other receivables and prepayments		279,807	264,358	326,534
Other assets		49,420	32,852	46,523
Total assets		52,979,576	53,793,113	46,569,120

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	7	14,438,772	14,302,911	7,979,330
Accounts payable and other credit balances	8	1,442,922	2,861,162	1,861,513
Provision for staff indemnity		987,710	966,377	700,371
Total liabilities		16,869,404	18,130,450	10,541,214

EQUITY				
Share capital		30,874,759	30,874,759	30,874,759
Share premium		312,020	312,020	312,020
Statutory reserve		1,653,604	1,653,604	1,493,169
Voluntary reserve		1,356,461	1,356,461	1,196,026
Retained earnings		1,905,678	1,458,169	2,144,282
Total equity attributable to the shareholders of the Parent Company		36,102,522	35,655,013	36,020,256
Non-controlling interests		7,650	7,650	7,650
Total equity		36,110,172	35,662,663	36,027,906
Total liabilities and equity		52,979,576	53,793,113	46,569,120

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 2016 (Unaudited)

	NOTE	Three months ended 31 March	
		2016	2015
		KD	KD
REVENUES			
Finance revenues		985,956	921,524
Other income		116,866	156,264
		1,102,822	1,077,788

EXPENSES			
Investments losses		-	95,240
Finance costs		194,080	104,200
Provision for doubtful debts	6	61,275	66,208
Staff costs		269,185	293,806
General and administrative expenses		121,857	117,165
		646,397	676,619

Profit before deductions		456,425	401,169
Kuwait Foundation for Advancement of Science		(4,108)	(3,611)
Zakat		(4,808)	(4,578)
Net profit for the period		447,509	392,980
Other comprehensive income for the period		-	-
Total comprehensive income for the period		447,509	392,980
Earnings per share (Fils)	9	1.45	1.27

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 2016 (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 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
Balance at 1 January 2016	30,874,759	312,020	1,653,604	1,356,461	1,458,169	35,655,013	7,650	35,662,663
Net profit for the period	-	-	-	-	447,509	447,509	-	447,509
Balance at 31 March 2016	30,874,759	312,020	1,653,604	1,356,461	1,905,678	36,102,522	7,650	36,110,172

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 2016 (Unaudited)

	NOTE	Three months ended 31 March	
		2016	2015
		KD	KD
OPERATING ACTIVITIES			
Net profit for the period		447,509	392,980
Adjustments for:			
Depreciation and amortization		5,854	8,153
Provision for doubtful debts		61,275	66,208
Investments losses		-	95,240
Income from Murabaha receivable		(10,868)	(9,819)
Finance costs		194,080	104,200
Provision for staff indemnity		21,333	56,597
		719,183	713,559
Finance receivables		1,829,904	(1,195,350)
Other receivables and prepayments		(15,449)	(11,033)
Accounts payable and other credit balances		(1,385,441)	(133,122)
Net cash generated by/ (used in) operating activities		1,148,197	(625,946)
INVESTING ACTIVITIES			
Income from Murabaha receivable		10,868	9,819
Purchase of property and equipment		(22,422)	(7,240)
Net cash (used in)/ generated by investing activities		(11,554)	2,579
FINANCING ACTIVITIES			
Net movement of Islamic Murabaha and Wakala payables		135,861	1,051,370
Dividends paid		(32,799)	-
Finance costs paid		(194,080)	(104,200)
Net cash (used in)/ generated by financing activities		(91,018)	947,170
Net increase in cash and cash equivalents		1,045,625	323,803
Cash and cash equivalents at beginning of the period		5,166,009	2,235,336
Cash and cash equivalents at end of the period	4	6,211,634	2,559,139

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 2016 (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 interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries (the Group) as follow:

Company name	Ownership percentage (%)		Activity	Country of corporation
	31 March 2016	31 March 2015		
Manarat Tasaheel Real Estate Company W.L.L	99	99	Projects Management	Kuwait
Al-Manar Express for Marketing Consulting Company W.L.L	50	50	Consulting activities	Kuwait
Al- Manar Watania for Administrative Consulting Company W.L.L	50	50	Consulting activities	Kuwait

Subsidiaries’ management accounts have been used for the consolidation purposes as at 31 March 2016. The total assets of the subsidiaries are KD 2,238,402 (KD 2,226,110 as at 31 December 2015, KD 2,255,302 as at 31 March 2015), net losses of KD 105,694 during the three months ended 31 March 2016 (net profit KD 115,582 during the three months ended 31 March 2015).

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 2015, accordingly the consolidated financial statements for the year ended 31 December 2015 were not yet approved.

The interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 28 June 2016.

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 2016 are not necessarily indicative of results that maybe expected for the year ending 31 December 2016. For further information, it is possible to refer to the consolidated financial statements and its related notes for to the year ended 31 December 2015.

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 2015, except for the adoption of the new and amended IFRS that have become effective and those which are applicable to the Group as follows:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 'Disclosure Initiative
- Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation & Amortisation
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs 2012–2014 Cycle

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 2016	31 Dec. 2015 (Audited)	31 March 2015			
	KD	KD	KD			
Financial assets at fair value through profit or loss:						
Local unquoted shares	2,031,853	2,031,853	3,901,491	Level 2	Market comparatives	N/A
Foreign unquoted shares	761,426	761,426	-	Level 2	Market comparatives	N/A
Foreign unquoted shares	968,174	968,174	-	Level 3	Dividend Discount Model	The higher the discount rate the lower the fair value
Local funds	2,551	2,551	100,448	Level 2	NAV	N/A

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

4. CASH AND CASH EQUIVALENTS

	31 March 2016	31 December 2015 (Audited)	31 March 2015
	KD	KD	KD
Cash on hand	1,850	17,317	2,100
Cash at banks	6,209,784	5,148,692	2,557,039
	6,211,634	5,166,009	2,559,139

5. INVESTMENT IN MURABAHA RECEIVABLE

Investment in Murabaha receivables are the deposited amounts at a local financial institution according to Murabaha contracts. The average yield on those contracts is 1.125% per annum (1.15% per annum – 2015).

6. FINANCE RECEIVABLE

	31 March 2016	31 December 2015 (Audited)	31 March 2015
	KD	KD	KD
Finance receivables	45,754,764	48,144,206	41,626,579
Less: deferred revenues	(6,063,153)	(6,735,582)	(5,426,685)
Less: provision for doubtful debts	(3,879,320)	(3,705,154)	(3,488,080)
Finance receivables – net	35,812,291	37,703,470	32,711,814

- 6.1 Finance receivables of KD 28,480,741 as at 31 March 2016 (KD 32,534,310 - 31 December 2015; KD 25,861,045 - 31 March 2015) were fully performing.
- 6.2 Finance receivables amounted to KD 12,645,298 as at 31 March 2016 (KD 11,498,159 - 31 December 2015; KD 11,862,296 - 31 March 2015) is due from 1 to 90 days and not impaired, and for which no specific provision are provided.
- 6.3 Finance receivables amounted to KD 4,628,725 as at 31 March 2016 (KD 4,111,737 - 31 December 2015; KD 3,903,238 - 31 March 2015) due and not collected and impaired are as follows:

- Aging of impaired receivables*

	31 March 2016	31 December 2015 (Audited)	31 March 2015
	KD	KD	KD
91 – 180 days	1,018,209	655,230	947,031
181 – 365 days	698,869	583,447	687,804
More than 365 days	2,911,647	2,873,060	2,268,403
Total	4,628,725	4,111,737	3,903,238

- Net movement in the provision for doubtful debts:*

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2016	2,069,207	1,635,947	3,705,154
Charge during the period	144,657	29,509	174,166
Balance at 31 March 2016	2,213,864	1,665,456	3,879,320
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

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 9,665,244 (KD 10,019,433 - 31 December 2015; KD 13,392,406 - 31 March 2015) 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 112,891 (KD 72,845 - 31 March 2015) from the written off finance receivables and reversed the same in the interim condensed consolidated statement of income in provision for doubtful debts item.

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 Murabaha payables and Islamic Wakala is 5.33% (5.56% - 31 December 2015; 5.69% - 31 March 2015).

Islamic Murabaha and Wakala payables are guaranteed against the following:

	31 March 2016	31 December 2015 (Audited)	31 March 2015
	KD	KD	KD
Investment in Murabaha receivables	3,000,000	3,000,000	3,000,000
Assigning receivables – net	31,528,314	28,300,385	6,281,399
Available for sale investments	1,372,708	1,372,708	1,421,309
Investment properties	2,146,535	2,146,535	2,146,535

8. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	31 March 2016	31 December 2015 (Audited)	31 March 2015
	KD	KD	KD
Trade payables	723,117	2,009,507	1,326,489
Accrued salaries and other staff accruals	202,562	305,413	223,248
Dividends payable	254,008	286,807	130,257
KFAS	39,817	35,709	45,332
Zakat	23,794	61,177	47,316
Board's remunerations	-	-	23,000
Others	199,624	162,549	65,871
	1,442,922	2,861,162	1,861,513

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	
	2016	2015
	KD	KD
Net profit for the period	447,509	392,980
Weighted average number of the Parent Company's outstanding shares	308,747,591	308,747,591
Earnings per share (Fils)	1.45	1.27

10. DIVIDENDS

On 3 March 2016, the Board of Directors of the Parent Company suggested 5% dividends for the year ended 31 December 2015. This suggestion is subject to the shareholders' approval in the General Assembly of the Parent Company.

11. 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 approximate arms 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	31 December	31 March
	2016	2015	2015
	(Audited)		
	KD	KD	KD
a) Finance receivable	62,722	70,529	63,794
b) Due from related party (Qatar Finance House Company QPSC)	68,576	68,576	77,416
c) Key management's benefits payable	545,365	544,732	399,402
d) Compensation of key management personnel			
Salaries and other short term benefits	244,035	556,741	247,461
e) Board of Directors committees' remunerations	50,000	50,000	-

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 2016			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,050,632	32,760	19,430	1,102,822
Segment expenses	(194,080)	-	(461,233)	(655,313)
Segment results	856,552	32,760	(441,803)	447,509
Segment assets	45,023,925	7,626,424	329,227	52,979,576
Segment liabilities	15,161,889	-	1,707,515	16,869,404

	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)	(419,160)	(684,808)
Segment results	846,821	(95,240)	(358,601)	392,980
Segment assets	38,270,953	7,925,110	373,057	46,569,120
Segment liabilities	9,305,819	-	1,235,395	10,541,214

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