

AL MANAR

FINANCING & LEASING



2017

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 2017
(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 2017 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

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. To the extent of information made available to us, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive regulations, or the Parent Company's Memorandum of Incorporation and Articles of Association as amended, during the three-month period ended 31 March 2017 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-month period ended 31 March 2017, that might had a material effect on the business of Group or its consolidated financial position.

Talal Yousef Al-Muzaini

License No. 209A
Deloitte & Touche – Al Wazzan & Co.

Kuwait, 23 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017 (Unaudited)

	NOTE	31 March 2017	31 December 2016 (Audited)	31 March 2016
		KD	KD	KD
ASSETS				
Cash and cash equivalents	4	4,028,310	5,391,372	6,211,634
Investment in Murabaha receivable	5	4,300,000	4,300,000	3,000,000
Finance receivables	6	32,745,766	32,532,220	35,812,291
Financial assets at fair value through profit or loss		3,986,457	3,986,457	3,764,004
Available for sale investments		1,641,497	1,641,497	1,715,885
Investment properties		1,476,535	1,476,535	2,146,535
Other receivables and prepayments		219,818	218,505	279,807
Other assets		63,677	67,754	49,420
Total assets		48,462,060	49,614,340	52,979,576

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	7	8,709,335	10,941,448	14,438,772
Accounts payable and other credit balances	8	2,054,754	1,873,886	1,442,922
Provision for staff indemnity		1,008,083	997,159	987,710
Total liabilities		11,772,172	13,812,493	16,869,404

EQUITY				
Share capital		30,874,759	30,874,759	30,874,759
Share premium		312,020	312,020	312,020
Statutory reserve		1,825,064	1,825,064	1,653,604
Voluntary reserve		1,442,352	1,442,352	1,356,461
Retained earnings		2,228,043	1,340,002	1,905,678
Total equity attributable to the shareholders of the Parent Company		36,682,238	35,794,197	36,102,522
Non-controlling interests		7,650	7,650	7,650
Total equity		36,689,888	35,801,847	36,110,172
Total liabilities and equity		48,462,060	49,614,340	52,979,576

Kareem Al-Taji
Chairman

Bader Al-Ghanim
Vice Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2017 (Unaudited)

	NOTE	Three months ended 31 March	
		2017	2016
		KD	KD
REVENUES			
Finance revenues		851,377	985,956
Provision for doubtful debts		473,573	(61,275)
Other income		126,038	116,866
		1,450,988	1,041,547

EXPENSES			
Finance cost		138,896	194,080
Staff costs		260,164	269,185
General and administrative expenses		146,529	121,857
		545,589	585,122

Profit before deductions		905,399	456,425
Kuwait Foundation for Advancement of Science		(8,149)	(4,108)
Zakat		(9,209)	(4,808)
Net profit for the period		888,041	447,509
Other comprehensive income for the period		-	-
Total comprehensive income for the period		888,041	447,509
Earnings per share (Fils)	9	2.88	1.45

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 2017 (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 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
Balance at 1 January 2017	30,874,759	312,020	1,825,064	1,442,352	1,340,002	35,794,197	7,650	35,801,847
Net profit for the period	-	-	-	-	888,041	88,041	-	888,041
Balance at 31 March 2017	30,874,759	312,020	1,825,064	1,442,352	2,228,043	36,682,238	7,650	36,689,888

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 2017 (Unaudited)

	NOTE	Three months ended 31 March	
		2017	2016
		KD	KD
OPERATING ACTIVITIES			
Net profit for the period		888,041	447,509
Adjustments for:			
Depreciation and amortization		4,077	5,854
Provision for doubtful debts		(473,573)	61,275
Income from Murabaha receivable		(11,931)	(10,868)
Finance cost		138,896	194,080
Provision for staff indemnity		10,924	21,333
		556,434	719,183
Finance receivables		260,027	1,829,904
Other receivables and prepayments		(1,313)	(15,449)
Accounts payable and other credit balances		261,907	(1,385,441)
Net cash generated by operating activities		1,077,055	1,148,197
INVESTING ACTIVITIES			
Income from Murabaha receivable		11,931	10,868
Purchase of property and equipment		-	(22,422)
Net cash generated by/ (used in) investing activities		11,931	(11,554)
FINANCING ACTIVITIES			
Net movement of Islamic Murabaha and Wakala payables		(2,232,113)	135,861
Dividends paid		(81,039)	(32,799)
Finance cost paid		(138,896)	(194,080)
Net cash used in financing activities		(2,452,048)	(91,018)
Net (decrease)/ increase in cash and cash equivalents		(1,363,062)	1,045,625
Cash and cash equivalents at beginning of the period		5,391,372	5,166,009
Cash and cash equivalents at end of the period	4	4,028,310	6,211,634

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 2017 (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

The main activities of the Parent Company and its subsidiaries (together referred to as “the Group”) are all financing and investing activities according to the Islamic Share’a principles.

The Parent Company is subject to instructions and monitoring by the Central Bank of Kuwait & Capital Markets Authority.

The registered office of the parent Company is P.O. Box 22828, Safat 13089, Kuwait.

Company and its subsidiaries (the Group) as follow:

Company name	Ownership percentage (%)		Activity	Country of corporation
	31 March 2017	31 March 2016		
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 2017. The total assets of the subsidiaries are KD 1,557,002 (KD 1,559,014 as at 31 December 2016, KD 2,238,402 as at 31 March 2016), net losses of KD 1,724 during the three months ended 31 March 2017 (net loss KD 105,694 during the three months ended 31 March 2016).

The General Assembly meeting was not held for the year ended 31 December 2016, accordingly the opening balances and other agenda items were yet approved.

The interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 23 August 2017.

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 2017 are not necessarily indicative of results that may be expected for the year ending

31 December 2017. For further information, it is possible to refer to the consolidated financial statements and its related notes for the year ended 31 December 2016.

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 2016 except the following:

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014-2016 Cycle - Amendments to IFRS 12

The adoption of these standards did not have any 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 2017	31 Dec. 2016 (Audited)	31 March 2016			
	KD	KD	KD			
Financial assets at fair value through profit or loss:						
Local unquoted shares	2,055,379	2,055,379	2,031,853	Level 2	Market comparatives	N/A
Foreign unquoted shares	724,927	724,927	761,426	Level 2	Market comparatives	N/A
Foreign unquoted shares	1,203,600	1,203,600	968,174	Level 2	Market comparatives	N/A
Local funds	2,551	2,551	2,551	Level 2	Net asset value	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 2017	31 December 2016 (Audited)	31 March 2016
	KD	KD	KD
Cash on hand	1,250	10,659	1,850
Cash at banks	4,027,060	5,380,713	6,209,784
	4,028,310	5,391,372	6,211,634

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 1.312% per annum (1.125% per annum – 2016).

6. FINANCE RECEIVABLE

	31 March 2017	31 December 2016 (Audited)	31 March 2016
	KD	KD	KD
Regular	23,123,102	23,708,772	28,480,741
Due and not impaired (not exceeded 90 days)	13,175,337	12,868,331	12,645,298
Due and impaired	6,167,121	6,111,837	4,628,725
	42,465,560	42,688,940	45,754,764
Less: deferred revenues	(5,613,942)	(5,598,707)	(6,063,153)
Less: provision for doubtful debts	(4,105,852)	(4,558,013)	(3,879,320)
Finance receivables – net	32,745,766	32,532,220	35,812,291

- Aging of impaired receivables*

	31 March 2017	31 December 2016 (Audited)	31 March 2016
	KD	KD	KD
91 – 180 days	700,210	1,169,113	1,018,209
181 – 365 days	2,421,691	2,016,054	698,869
More than 365 days	3,045,220	2,926,670	2,911,647
Total	6,167,121	6,111,837	4,628,725

• **Net movement in the provision for doubtful debts:**

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2017	2,907,540	1,650,473	4,558,013
Reversal during the period	-	(900,000)	(900,000)
Charge during the period	238,774	209,065	447,839
Balance at 31 March 2017	3,146,314	959,538	4,105,852
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

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 11,963,996 (KD 9,362,640 - 31 December 2016; KD 13,392,406 - 31 March 2016) 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 21,412 (KD 112,891 - 31 March 2016) 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% (5.40% - 31 December 2016; 5.33% - 31 March 2016).

Islamic Murabaha and Wakala payables are guaranteed against the following:

	31 March 2017	31 December 2016 (Audited)	31 March 2016
	KD	KD	KD
Investment in Murabaha receivable	4,300,000	4,300,000	3,000,000
Assigning receivables – net	16,088,855	20,459,488	31,528,314
Available for sale investments	1,313,198	1,313,198	1,372,708
Investment properties	1,476,535	1,476,535	2,146,535

8. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	31 March 2017	31 December 2016 (Audited)	31 March 2016
	KD	KD	KD
Trade payables	950,287	666,034	723,117
Accrued salaries and other staff accruals	317,609	349,597	202,562
Dividends payable	624,626	705,665	254,008
KFAS	59,289	51,140	39,817
Zakat	25,273	35,236	23,794
Others	77,670	66,214	199,624
	2,054,754	1,873,886	1,442,922

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	
	2017	2016
	KD	KD
Net profit for the period	888,041	447,509
Weighted average number of the Parent Company's outstanding shares	308,747,591	308,747,591
Earnings per share (Fils)	2.88	1.45

10. DIVIDENDS

On 26 March 2017, the Board of Directors suggested the following:

- Distribution of dividends of 5% to the shareholders of the Parent Company for the year ended 31 December 2016, to be deducted from the retained earnings by KD 1,340,002 and deducted from voluntary reserves by KD 203,736.
- Board of Directors' remunerations amounting to Nil for the year 2016.
- Board of Directors Committees' remunerations of KD 59,800 for the year 2016.

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 2017	31 December 2016 (Audited)	31 March 2016
	KD	KD	KD
a) Finance receivable	112,162	110,880	62,722
b) Due from related party (Qatar Finance House Company QPSC)	-	-	68,576
c) Key management's benefits payable	553,142	580,036	545,365
d) Compensation of key management personnel			
Salaries and other short term benefits	242,507	569,982	244,035
e) Board of Directors committees' remunerations	59,800	59,800	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 2017			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,401,018	35,370	14,600	1,450,988
Segment expenses	(138,896)	-	(424,051)	(562,947)
Segment results	1,262,122	35,370	(409,451)	888,041
Segment assets	41,074,076	7,104,489	283,495	48,462,060
Segment liabilities	9,659,622	-	2,112,550	11,772,172

	31 March 2016			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,050,632	32,760	(41,845)	1,041,547
Segment expenses	(194,080)	-	(399,958)	(594,038)
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



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