

AL MANAR

FINANCING & LEASING



2011

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 30 JUNE 2011
(UNAUDITED)

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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



**BAKER TILLY
KUWAIT**

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 Parent Company”) and its subsidiaries (together referred to as “the Group”) at 30 June 2011, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34 “Interim Financial Reporting”. 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 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.

• ***Basis for Qualified Conclusion***

The Group did not obtain any information for its associated company Qatar Finance House Company Q.P.S.C. at 30 June 2011, neither it accounted for the share of its results for the period then ended as required by International Financial Reporting Standards (refer to note 7).

- ***Qualified Conclusion***

Based on our review, with the exception of the matters described in the preceding paragraph, 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 IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the accounting records. We further report that nothing has come to our attention indicating any contravention during the six-month period ended 30 June 2011, of the Kuwait Commercial Companies Law of 1960, as amended, or of the Parent Company memorandum and articles of association, or 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, which might have materially affected the Group's activities or its financial position.

Jassim Ahmad Al-Fahad

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

Kuwait, 1 December 2011

Dr. Saud Al-Humaidi

Licence No. 51 A
Al Humaidi & Partners
Independent Member of Baker Tilly
International

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 (Unaudited)

	NOTE	30 June 2011	31 December 2010 (Audited)	30 June 2010
		KD	KD	KD
ASSETS				
Cash and cash equivalents		3,113,114	1,600,214	1,262,129
Accounts receivable	5	34,411,293	43,026,276	52,060,146
Financial assets at fair value through profit or loss	6	7,433,332	7,757,408	8,266,126
Investment in associate	7	3,755,538	3,755,538	3,373,994
Investment properties	9	2,017,981	1,163,240	2,675,601
Other receivables and prepayments	8	1,014,439	973,225	1,025,078
Due from related party	13	214,448	213,865	-
Intangible assets		6,132	9,073	19,235
Property and equipment		7,014	8,579	26,666
Total assets		51,973,291	58,507,418	68,708,975

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	10	14,955,241	22,087,706	31,330,106
Accounts payable and other credit balances	11	1,871,495	1,897,237	996,527
Due to related party	13	-	-	1,446,613
Provision for staff indemnity		367,673	358,221	337,942
Total liabilities		17,194,409	24,343,164	34,111,188

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	1,178,931
Voluntary reserve		1,243,823	1,243,823	1,156,817
Foreign currency translation reserve		115,641	115,641	174,821
Retained earnings		966,702	352,074	900,439
Total equity		34,778,882	34,164,254	34,597,787
Total liabilities and equity		51,973,291	58,507,418	68,708,975

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 30 June 2011 (Unaudited)

	NOTE	Six months ended 30 June	
		2011 KD	2010 KD
INCOME			
Finance revenues		2,174,304	3,635,935
Net investment loss		(283,443)	(330,260)
Share of results of associate	7	-	(252,947)
Recovery of impairment loss on investment properties	9	10,541	-
Recovery of provision for doubtful debts	5	-	295,941
Other income		149,984	219,279
		2,051,386	3,567,948

EXPENSES			
Finance cost		(595,820)	(1,392,923)
General and administrative expenses		(805,341)	(922,799)
Provision for doubtful debts	5	(23,597)	-
		(1,424,758)	(2,315,722)

Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		626,628	1,252,226
Provision for contribution to KFAS		(5,639)	(12,522)
Zakat		(6,361)	(12,522)
Profit for the period		614,628	1,227,182
Other comprehensive income			
Foreign currency translation adjustments		-	21,797
Other comprehensive income for the period		-	21,797
Total comprehensive income for the period		614,628	1,248,979
Earnings per share	12	1.99 Fils	3.97 Fils

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January to 30 June 2011 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2011	30,874,759	312,020	1,265,937	1,243,823	115,641	352,074	34,164,254
Total comprehensive income for the period	-	-	-	-	-	614,628	614,628
Balance at 30 June 2011	30,874,759	312,020	1,265,937	1,243,823	115,641	966,702	34,778,882
Balance at 1 January 2010	30,874,759	312,020	1,178,931	1,156,817	153,024	(326,743)	33,348,808
Total comprehensive income for the period	-	-	-	-	21,797	1,227,182	1,248,979
Balance at 30 June 2010	30,874,759	312,020	1,178,931	1,156,817	174,821	900,439	34,597,787

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 30 June 2011 (Unaudited)

	NOTE	Six months ended 30 June	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the period		614,628	1,227,182
Adjustments for:			
Depreciation and amortization		7,681	20,533
Recovery of impairment loss on investment property		(10,541)	-
Provision / (recovery) for doubtful debts		23,597	(295,941)
Change in fair value of financial assets at FVTPL		321,446	330,260
Loss on sale of financial assets at FVTPL		2,630	-
Share of results of associate		-	252,947
Dividend income		(40,633)	-
Finance cost		595,820	1,392,923
Provision for staff indemnity		33,757	50,460
		1,548,385	2,978,364
Accounts receivable		8,591,386	11,667,587
Other receivables and prepayments		(41,214)	(5,016)
Due from / to related party – net		(583)	30,279
Accounts payable and other credit balances		(25,742)	204,263
Payments of staff indemnity		(24,305)	(1,173)
Net cash generated by operating activities		10,047,927	14,874,304
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		-	(32,540)
Purchase of investment properties		(844,200)	(670,000)
Dividend received		40,633	-
Purchase of property and equipment		(3,175)	(2,539)
Purchase of intangible assets		-	(146)
Net cash used in investing activities		(806,742)	(705,225)
FINANCING ACTIVITIES			
Net movement in Islamic Murabaha and Wakala payables		(7,132,465)	(13,943,973)
Finance cost paid		(595,820)	(1,392,923)
Net cash used in financing activities		(7,728,285)	(15,336,896)
Net increase / (decrease) in cash and cash equivalents		1,512,900	(1,167,817)
Cash and cash equivalents at beginning of the period		1,600,214	2,429,946
Cash and cash equivalents at end of the period		3,113,114	1,262,129

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 30 June 2011 (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.

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

The interim condensed consolidated financial information was authorized for issue by the Board of Directors on 1 December 2011.

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 2010.

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 six-month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011.

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 2010, except for changes resulting from amendments to IFRSs as mentioned below.

3. ADOPTION OF NEW AND REVISED STANDARDS

During the period, the Group has adopted all the standards effective for the annual periods beginning on or after 1 January 2011.

- **IAS 24 (Revised) Related party disclosures**

The amended Standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position or performance of the Group but gave rise to additional disclosures in the interim condensed consolidated financial information.

- **IAS 34 Interim Financial Reporting**

Improvement to IAS 34 introduces the concept of "Significant events and transactions" to be disclosed in the interim financial report and clarifies how to apply this principle in respect of financial instruments and their fair values. Adoption of this improvement did not have any material impact on the financial position or performance of the Group.

4. JUDGEMENTS AND ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements at and for the year ended 31 December 2010.

5. ACCOUNTS RECEIVABLE

	30 June 2011	31 December 2010 (Audited)	30 June 2010
	KD	KD	KD
Gross receivables	53,631,776	64,393,958	73,471,082
Less: deferred revenues	(9,807,236)	(11,978,032)	(13,408,830)
Less: provision for doubtful debts	(9,413,247)	(9,389,650)	(8,002,106)
Accounts receivable – net	34,411,293	43,026,276	52,060,146

Receivables aging 90 days and below are fully performing. At 30 June 2011, gross receivables of KD 33,314,485 (31 December 2010: KD 40,157,000; 30 June 2010: KD 53,079,337) were fully performing. The Group follows the CBK requirements for calculating the provision for doubtful debts, which requires a general provision of 1% on all credit facilities net of certain categories of collateral, to which CBK instructions are applicable, and not subject to specific provision. Specific provision as per the CBK requirements is taken net of certain categories of collateral, to which CBK instructions are applicable, for receivables aging above 90 days. Aging of impaired receivables

- Aging of impaired receivables***

	30 June 2011	31 December 2010 (Audited)	30 June 2010
	KD	KD	KD
91 – 180 days	3,207,237	4,404,993	4,239,271
181 – 360 days	1,371,645	5,905,104	4,073,685
More than 360 days	15,738,409	13,926,861	12,078,789
Total	20,317,291	24,236,958	20,391,745

- Analysis of provision for doubtful debts***

	30 June 2011	31 December 2010 (Audited)	30 June 2010
	KD	KD	KD
Specific	9,134,791	9,055,148	7,570,140
General	278,456	334,502	431,966
Total	9,413,247	9,389,650	8,002,106

- Movement in the provision for doubtful debts:***

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2011	9,055,148	334,502	9,389,650
Charge / (recovery) during the period	79,643	(56,046)	23,597
Balance at 30 June 2011	9,134,791	278,456	9,413,247
Balance at 1 January 2010	7,790,154	507,893	8,298,047
Recovery during the period	(220,014)	(75,927)	(295,941)
Balance at 30 June 2010	7,570,140	431,966	8,002,106

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 13,164,611 (31 December 2010: KD 18,607,750, 30 June 2010: KD 14,448,851) 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 carrying amounts of the Group's accounts receivable are denominated in KD and located in the State of Kuwait.

The accounts receivable include an amount of KD 21,713,871 (31 December 2010: KD 30,651,046, 30 June 2010: KD 38,239,791) pledged as collateral against Islamic Murabaha and Wakala payables (see note 10).

The maximum exposure to credit risk at the reporting date is the carrying amount of accounts receivable mentioned above.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June	31 December	30 June
	2011	2010	2010
	(Audited)		
	KD	KD	KD
Investments in quoted local shares and funds	95,868	133,430	114,769
Investments in unquoted local shares and funds	7,044,799	7,340,502	7,867,881
Investments in unquoted foreign shares and funds	292,665	283,476	283,476
	7,433,332	7,757,408	8,266,126

7. INVESTMENT IN ASSOCIATE

The associated company is as follows:

Name of company	Country of incorporation	Percentage of ownership and voting power			Principal activity
		30 June 2011	31 Dec. 2010 Audited	30 June 2010	
Qatar Finance House	Qatar	20%	20%	20%	Financing activities

On 10 March 2008, the Group acquired 20% shareholding interest in Qatar Finance House Company Q.P.S.C., a company incorporated in Qatar, whose principal activities are carrying consumer and project financing activities in accordance with Islamic Shari'a Law. The Group's investment is equivalent to KD 3,755,538 at 30 June 2011 (31 December 2010: KD 3,755,538; 30 June 2010: KD 3,373,994) which includes goodwill arising on acquisition of KD 1,900,430 and is included in the investment in associate. The Group's accounting for its investment in associate at 30 June 2011 is based on the consolidated financial statements of the associate for the year ended 31 December 2010.

8. OTHER RECEIVABLES AND PREPAYMENTS

	30 June	31 December	30 June
	2011	2010	2010
	(Audited)		
	KD	KD	KD
Prepaid expenses	26,136	28,489	42,304
Staff receivables and deductions	19,585	40,167	49,047
Refundable deposits	313,095	312,825	312,825
Advance against investment in associate	499,075	499,075	499,075
Other debit balances	156,548	92,669	121,827
	1,014,439	973,225	1,025,078

9. INVESTMENT PROPERTIES

The Group's investment properties' details are as follows:

- a) A plot of land in Mahboola - Kuwait acquired through a Musharaka agreement in 2008 at a cost of KD 510,000 representing 83.6% ownership. The average fair value at 30 June 2011 for the Group's stake amounts to KD 503,781 (31 December 2010: KD 493,240; 30 June 2010: KD 481,310).
- b) A plot of land in Fahaheel – Kuwait acquired in 2010 at a cost of KD 670,000. The average fair value at 30 June 2011 amounts to KD 732,500 (31 December 2010: KD 724,163; 30 June 2010: 718,988).
- c) A plot of land in Al Mangaf – Kuwait acquired in 2011 at a cost of KD 844,200. The average fair value at 30 June 2011 amounts to KD 879,237 (31 December 2010: nil; 30 June 2010: nil).

The fair values of the investment properties have been arrived on the basis of a valuation carried out by independent valuers that are not related to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

10. ISLAMIC MURABAHA AND WAKALA PAYABLES

Islamic Murabaha and Wakala payables are guaranteed by assigning receivables amounting to KD 21,713,871 (31 December 2010: KD 30,651,046, 30 June 2010: KD 38,239,791) (see note 5).

The average cost on Islamic Murabaha and Wakala payables is 7.05% (31 December 2010: 7.28%, 30 June 2010: 7.41%).

11. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	30 June 2011	31 December 2010 (Audited)	30 June 2010
	KD	KD	KD
Trade payables	1,184,661	1,279,340	401,265
Accrued salaries and other staff accruals	141,996	201,919	172,164
Accrued dividends	256,526	257,816	258,016
Provision for KFAS	33,739	80,135	84,826
Provision for Zakat	28,286	21,925	25,051
Others	226,287	56,102	55,205
	1,871,495	1,897,237	996,527

12. 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 30 June	
	2011	2010
	KD	KD
Net profit for the period	614,628	1,227,182
Weighted average number of the Parent Company's outstanding shares	308,747,590	308,747,590
Earnings per share (Fils)	1.99	3.97

13. 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:

	30 June	31 December	30 June
	2011	2010	2010
	(Audited)		
	KD	KD	KD
a) Accounts receivable	55,276	72,888	93,942
b) Investments managed by major shareholder	6,993,714	7,310,329	7,805,677
c) Due from related party (Qatar Finance House Company QPSC)	214,448	213,865	193,355
d) Due to related party (Qatar Finance House Company QPSC)	-	-	1,639,968
e) Compensation of key management personnel			
Salaries and other short term benefits	299,646	506,071	317,811
Termination benefits	191,182	201,587	186,939
	490,828	707,658	504,750

14. 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.

	30 June 2011			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,256,480	(272,902)	67,808	2,051,386
Segment expenses	(619,417)	-	(817,341)	(1,436,758)
Segment results	1,637,063	(272,902)	(749,533)	614,628
Segment assets	37,524,407	13,705,926	742,958	51,973,291
Segment liabilities	14,955,241	-	2,239,168	17,194,409

	30 June 2010			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	4,086,914	(583,207)	64,241	3,567,948
Segment expenses	(1,392,923)	-	(947,843)	(2,340,766)
Segment results	2,693,991	(583,207)	(883,602)	1,227,182
Segment assets	53,322,275	14,814,796	571,904	68,708,975
Segment liabilities	31,330,106	1,639,968	1,141,114	34,111,188

15. ANNUAL GENERAL ASSEMBLY

The Annual General Assembly held on 18 July 2011, approved the consolidated financial statements for the year ended 31 December 2010.

16. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the year ended 31 December 2010.

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للتموويل والإدارة



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