

# AL MANAR

FINANCING & LEASING



2015

# 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 2015  
(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 30 June 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-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).

- **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. 25 of 2012, as amended and of its executive regulations or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2015 that might have had a material effect on the business of the Group or on its consolidated 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 six-month period ended 30 June 2015, that might had a material effect on the business of Group or its consolidated financial position.

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**Bader A. Al-Wazzan**

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

**Kuwait, 4 October 2015**



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 (Unaudited)

	NOTE	30 June 2015	31 December 2014 (Audited)	30 June 2014
		KD	KD	KD
<b>ASSETS</b>				
Cash and cash equivalents	4	5,905,624	2,235,336	747,284
Investment in Murabaha receivable		3,000,000	3,000,000	3,150,820
Finance receivables	5	33,092,568	31,582,672	34,302,045
Financial assets at fair value through profit or loss		3,903,206	4,001,939	3,944,173
Available for sale investments		1,776,636	1,871,876	1,871,876
Investment properties		2,146,535	2,146,535	2,146,535
Other receivables and prepayments		314,612	315,501	332,088
Other assets		39,953	47,436	54,886
<b>Total assets</b>		<b>50,179,134</b>	<b>45,201,295</b>	<b>46,549,707</b>

### LIABILITIES AND EQUITY

<b>LIABILITIES</b>				
Murabaha payables and Islamic Wakala	6	11,782,372	6,927,960	8,473,200
Accounts payable and other credit balances	7	2,699,516	1,994,635	2,877,521
Provision for staff indemnity		759,636	643,774	612,798
<b>Total liabilities</b>		<b>15,241,524</b>	<b>9,566,369</b>	<b>11,963,519</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		1,493,169	1,493,169	1,265,937
Voluntary reserve		1,196,026	1,196,026	968,794
Retained earnings		1,053,986	1,751,302	1,157,028
<b>Total equity attributable to the shareholders of the Parent Company</b>		<b>34,929,960</b>	<b>35,627,276</b>	<b>34,578,538</b>
Non-controlling interests		7,650	7,650	7,650
<b>Total equity</b>		<b>34,937,610</b>	<b>35,634,926</b>	<b>34,586,188</b>
<b>Total liabilities and equity</b>		<b>50,179,134</b>	<b>45,201,295</b>	<b>46,549,707</b>

**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 2015 (Unaudited)

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2015	2014	2015	2014
		KD	KD	KD	KD
<b>REVENUES</b>					
Finance revenues		908,235	1,020,910	1,829,759	2,216,699
Other income		150,808	108,601	307,072	188,431
		<b>1,059,043</b>	<b>1,129,511</b>	<b>2,136,831</b>	<b>2,405,130</b>

<b>EXPENSES</b>					
Loss from investments	8	32,393	-	127,633	101
Finance cost		119,338	129,673	223,538	280,527
Provision for doubtful debts	5	20,153	64,865	86,361	127,629
Staff cost		309,430	278,804	603,236	507,543
General and administrative expenses		114,904	132,712	232,069	309,516
		<b>596,218</b>	<b>606,054</b>	<b>1,272,837</b>	<b>1,225,316</b>

<b>Profit before deductions</b>		<b>462,825</b>	<b>523,457</b>	<b>863,994</b>	<b>1,179,814</b>
Kuwait Foundation Advancement of Science		(4,165)	(7,187)	(7,776)	(10,618)
Zakat		(5,221)	(5,435)	(9,799)	(12,168)
<b>Net profit for the period</b>		<b>453,439</b>	<b>510,835</b>	<b>846,419</b>	<b>1,157,028</b>
Other comprehensive income		-	-	-	-
Total comprehensive income		453,439	510,835	846,419	1,157,028
<b>Earnings per share (Fils)</b>	9	<b>1.47</b>	<b>1.65</b>	<b>2.74</b>	<b>3.75</b>

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 30 JUNE 2015 (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
<b>Balance at 1 January 2014</b>	30,874,759	312,020	1,265,937	1,243,823	(275,029)	33,421,510	7,650	<b>33,429,160</b>
Amortizing of accumulated loss	-	-	-	(275,029)	275,029	-	-	-
Net profit for the period	-	-	-	-	1,157,028	1,157,028	-	<b>1,157,028</b>
<b>Balance at 30 June 2014</b>	30,874,759	312,020	1,265,937	968,794	1,157,028	34,578,538	7,650	<b>34,586,188</b>
<b>Balance at 1 January 2015</b>	30,874,759	312,020	1,493,169	1,196,026	1,751,302	35,627,276	7,650	<b>35,634,926</b>
Net profit for the period	-	-	-	-	846,419	846,419	-	<b>846,419</b>
Cash dividends (note 10)	-	-	-	-	(1,543,735)	(1,543,735)	-	<b>(1,543,735)</b>
<b>Balance at 30 June 2015</b>	30,874,759	312,020	1,493,169	1,196,026	1,053,986	34,929,960	7,650	<b>34,937,610</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 30 JUNE 2015 (Unaudited)

	NOTE	Six months ended 30 June	
		2015	2014
		KD	KD
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		846,419	1,157,028
Adjustments for:			
Depreciation and amortization		16,562	16,906
Provision for doubtful debts		86,361	127,629
Investment loss		127,633	101
Income from Murabaha receivable		(19,473)	(10,788)
Finance cost		223,538	280,527
Provision for staff indemnity		115,862	64,941
		<b>1,396,902</b>	<b>1,636,344</b>
Finance receivables		(1,596,257)	5,547,039
Financial assets at fair value through profit or loss		18,196	-
Other receivables and prepayments		256,085	24,886
Accounts payable and other credit balances		(838,854)	(2,728,114)
<b>Net cash (used in)/ generated by operating activities</b>		<b>(763,928)</b>	<b>4,480,155</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received		48,144	-
Income from Murabaha receivables		19,473	-
Purchase of property and equipment		(9,079)	(9,293)
<b>Net cash generated by/ (used in) investing activities</b>		<b>58,538</b>	<b>(9,293)</b>
<b>FINANCING ACTIVITIES</b>			
Net movement in Murabaha payables and Islamic Wakala		4,854,412	(3,963,233)
Finance cost paid		(223,538)	(280,527)
Dividends to shareholders		(255,196)	-
Net cash generated by/ (used in) financing activities		4,375,678	(4,243,760)
<b>Net increase in cash and cash equivalents</b>		<b>3,670,288</b>	<b>227,102</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>2,235,336</b>	<b>520,182</b>
<b>Cash and cash equivalents at end of the period</b>		<b>5,905,624</b>	<b>747,284</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 30 JUNE 2015 (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 interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 4 October 2015.

### 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 30 June 2015 are not necessarily indicative of results that may be expected for the year ending 31 December 2015. For further information, it is possible to refer to the consolidated financial statements and its related notes for to the year ended 31 December 2014.

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 2014, except for the adoption of the new and amended IFRS that have become effective and those which are applicable to the Group.

#### **New and revised IFRSs in issue but not yet effective**

##### **For annual periods beginning on or after 1 January 2016**

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation & Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The directors of the Parent Company do not anticipate that the application of these amendments will have a material impact on the Group's interim condensed consolidated financial information.

### Effective for annual periods beginning on or after 1 January 2018

- **IFRS 9 Financial Instruments**

The directors of the Parent Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

- **IFRS 15 Revenue from Contracts with Customers**

The directors of the Parent Company anticipate that the application of these IFRS 15 in the future may have a material impact on amounts reported in respect of the Group's interim condensed consolidated financial information. However, it is not practicable to provide a reasonable estimate of the effect until the Group undertakes a detailed review.

### 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 six:** 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
	30 June 2015	31 Dec 2014 (Audited)	30 June 2014			
	KD	KD	KD			
<b>Fair value through profit or loss:</b>						
Local unquoted shares	3,883,295	3,901,491	3,846,160	Level 2	Market comparative prices of similar assets	The higher the market comparatives, the higher the fair value
Local Funds	19,911	100,448	98,013	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. CASH AND CASH EQUIVALENTS

	30 June 2015	31 December 2014 (Audited)	30 June 2014
	KD	KD	KD
Cash on hand	2,100	14,763	2,050
Cash at banks and portfolios	5,903,524	2,220,573	745,234
	<b>5,905,624</b>	<b>2,235,336</b>	<b>747,284</b>

## 5. FINANCE RECEIVABLE

	30 June 2015	31 December 2014 (Audited)	30 June 2014
	KD	KD	KD
Finance receivables	41,994,808	40,093,196	43,258,415
Less: deferred revenues	(5,373,759)	(5,161,497)	(5,761,068)
Less: provision for doubtful debts	(3,528,481)	(3,349,027)	(3,195,302)
<b>Finance receivables – net</b>	<b>33,092,568</b>	<b>31,582,672</b>	<b>34,302,045</b>

5.1 Finance receivables of KD 24,682,323 as at 30 June 2015 (31 December 2014: KD 25,072,128; 30 June 2014: KD 23,020,760) were fully performing.

5.2 Finance receivable amounted to KD 13,870,997 as at 30 June 2015 (31 December 2014: KD 11,149,777; 30 June 2014: KD 16,419,993) is due from 1 to 90 and not impaired, and for which no specific provision are provided.

5.3 Finance receivable amounted to KD 3,441,488 as at 30 June 2015 (31 December 2014: KD 3,871,291; 30 June 2014: KD 3,817,662) due and not collected and impaired are as follows:

- Aging of impaired receivables*

	30 June 2015	31 December 2014 (Audited)	30 June 2014
	KD	KD	KD
91 – 180 days	232,895	957,521	640,059
181 – 360 days	886,210	677,707	809,926
More than 360 days	2,322,383	2,236,063	2,367,677
<b>Total</b>	<b>3,441,488</b>	<b>3,871,291</b>	<b>3,817,662</b>



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

	Specific provision	General provision	Total
	KD	KD	KD
<b>Balance at 1 January 2015</b>	<b>1,469,991</b>	<b>1,879,036</b>	<b>3,349,027</b>
Charge during the period	140,036	39,418	179,454
<b>Balance at 30 June 2015</b>	<b>1,610,027</b>	<b>1,918,454</b>	<b>3,528,481</b>
<b>Balance at 1 January 2014</b>	<b>1,462,677</b>	<b>1,395,850</b>	<b>2,858,527</b>
(Reversal)/ charge during the period	(20,962)	357,737	336,775
<b>Balance at 30 June 2014</b>	<b>1,441,715</b>	<b>1,753,587</b>	<b>3,195,302</b>

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 12,140,257 (31 December 2014: KD 12,413,400; 30 June 2014: KD 21,642,655) 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 Parent Company recovered an amount of KD 93,093 (30 June 2014: KD 209,146) from the written off finance receivables and reversed the same in the statement of income in provision for doubtful debts.

## 6. ISLAMIC MURABAHA AND WAKALA PAYABLES

Murabaha payables and Islamic Wakala are obtained from local banks and are dominated in KD. The average cost on Murabaha payables and Islamic Wakala is 5.56% (31 December 2014: 5.92%; 30 June 2014: 5.21%).

Murabaha payables and Islamic Wakala are guaranteed against the following:

	30 June 2015	31 December 2014 (Audited)	30 June 2014
	KD	KD	KD
Investment in Murabaha receivables	3,000,000	3,000,000	3,150,820
Assigning receivables – net	5,316,942	7,723,452	7,942,091
Available for sale investments	1,421,309	1,497,501	1,497,501
Investment properties	2,146,535	2,146,535	-

## 7. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	30 June	31 December	30 June
	2015	2014	2014
	(Audited)		
	KD	KD	KD
Trade payables	943,070	1,347,584	2,436,421
Accrued salaries and other staff accruals	235,801	344,303	210,902
Dividends payable	1,418,796	130,257	134,122
KFAS	29,771	41,721	31,888
Zakat	53,342	42,738	21,542
Board remuneration	-	23,000	-
Others	18,736	65,032	42,646
	<b>2,699,516</b>	<b>1,994,635</b>	<b>2,877,521</b>

## 8. LOSS FROM INVESTMENTS

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	KD	KD	KD	KD
Impairment loss from available for sale investments	-	-	95,240	-
Changes at fair value of financial assets at fair value through profit or loss	80,537	-	80,537	101
Dividends	(48,144)	-	(48,144)	-
	<b>32,393</b>	<b>-</b>	<b>127,633</b>	<b>101</b>

## 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		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	KD	KD	KD	KD
Net profit for the period	453,439	510,835	846,419	1,157,028
Weighted average number of the Parent Company's outstanding shares	308,747,591	308,747,591	308,747,591	308,747,591
<b>Earnings per share (Fils)</b>	<b>1.47</b>	<b>1.65</b>	<b>2.74</b>	<b>3.75</b>



## 10. DIVIDENDS

The Annual General Assembly held its meeting on 8 June 2015 and approved the annual audited consolidated financial statements for the year ended 31 December 2014, and approved the following:

- 5% dividend for the year 2014.
- Board of Directors' remuneration of KD 23,000.
- Board of Directors Committees' remunerations.

## 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:

	30 June 2015	31 December 2014 (Audited)	30 June 2014
		KD	KD
<b>a)</b> Finance receivables	53,112	47,452	54,778
<b>b)</b> Investments managed by major shareholder	-	-	3,704,862
<b>c)</b> Due from related party (Qatar Finance House Company QPSC)	68,576	77,416	83,416
<b>d)</b> Key management's benefits payable	411,016	352,308	335,649
<b>e)</b> Compensation of key management personnel			
Salaries and other short term benefits	387,769	524,910	354,225
<b>f)</b> Board of Directors' remunerations	-	23,000	-
<b>g)</b> Board of Directors' Committee remunerations	-	25,000	-



## 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.

	30 June 2015			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	1,997,683	-	139,148	<b>2,136,831</b>
Segment expenses	(309,899)	(127,633)	(852,880)	<b>(1,290,412)</b>
Segment results	1,687,784	(127,633)	(713,732)	<b>846,419</b>
Segment assets	41,998,192	7,826,377	354,565	<b>50,179,134</b>
Segment liabilities	12,725,442	-	2,516,082	<b>15,241,524</b>

	30 June 2014			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,310,283	-	94,847	<b>2,405,130</b>
Segment expenses	(471,381)	(101)	(776,620)	<b>(1,248,102)</b>
Segment results	1,838,902	(101)	(681,773)	<b>1,157,028</b>
Segment assets	38,200,149	7,962,584	386,974	<b>46,549,707</b>
Segment liabilities	10,909,621	-	1,053,898	<b>11,963,519</b>

# المينار

للتمويل والإجارة



2015