

# 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 30 JUNE 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 30 June 2017 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).

## 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 six-month period ended 30 June 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 six-month period ended 30 June 2017, that might had a material effect on the business of Group or its consolidated financial position.

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**Talal Yousef Al-Muzaini**

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

**Kuwait, 23 August 2017**

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 (Unaudited)

	NOTE	30 June 2017	31 December 2016 (Audited)	30 June 2016
		KD	KD	KD
<b>ASSETS</b>				
Cash and cash equivalents	4	3,331,632	5,391,372	6,665,410
Investment in Murabaha receivables	5	4,300,000	4,300,000	4,300,000
Finance receivables	6	31,800,171	32,532,220	34,945,902
Financial assets at fair value through profit or loss		3,991,741	3,986,457	3,764,004
Available for sale investments		1,603,125	1,641,497	1,715,885
Investment properties		1,476,535	1,476,535	2,146,535
Other receivables and prepayments		193,953	218,505	296,350
Other assets		59,185	67,754	51,521
<b>Total assets</b>		<b>46,756,342</b>	<b>49,614,340</b>	<b>53,885,607</b>

### LIABILITIES AND EQUITY

<b>LIABILITIES</b>				
Islamic Murabaha and Wakala payables	7	7,128,696	10,941,448	14,683,321
Accounts payable and other credit balances	8	1,397,311	1,873,886	1,511,966
Provision for staff indemnity		1,040,549	997,159	1,002,670
<b>Total liabilities</b>		<b>9,566,556</b>	<b>13,812,493</b>	<b>17,197,957</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		1,825,064	1,825,064	1,653,604
Voluntary reserve		1,442,352	1,442,352	1,356,461
Retained earnings		2,727,941	1,340,002	2,483,156
<b>Total equity attributable to the shareholders of the Parent Company</b>		<b>37,182,136</b>	<b>35,794,197</b>	<b>36,680,000</b>
Non-controlling interests		7,650	7,650	7,650
<b>Total equity</b>		<b>37,189,786</b>	<b>35,801,847</b>	<b>36,687,650</b>
<b>Total liabilities and equity</b>		<b>46,756,342</b>	<b>49,614,340</b>	<b>53,885,607</b>

Kareem AL Taji  
Chairman

Bader Al Ghanem  
Vice Chairman

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017 (Unaudited)

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		KD	KD	KD	KD
<b>REVENUES</b>					
Finance revenues		803,808	982,982	1,655,185	1,968,938
Provision for doubtful debts		3,435	(39,319)	477,008	(100,594)
Gain from investments		47,152	120,360	47,152	120,360
Other income		110,477	119,635	236,515	236,501
		<b>964,872</b>	<b>1,183,658</b>	<b>2,415,860</b>	<b>2,225,205</b>

<b>EXPENSES</b>					
Finance cost		111,915	204,554	250,811	398,634
Staff costs		225,857	253,426	486,021	522,611
General and administrative expenses		118,054	136,894	264,583	258,751
		<b>455,826</b>	<b>594,874</b>	<b>1,001,415</b>	<b>1,179,996</b>

<b>Profit before deductions</b>		<b>509,046</b>	<b>588,784</b>	<b>1,414,445</b>	<b>1,045,209</b>
Kuwait Foundation Advancement of Science		(4,581)	(5,299)	(12,730)	(9,407)
Zakat		(4,567)	(6,007)	(13,776)	(10,815)
<b>Net profit for the period</b>		<b>499,898</b>	<b>577,478</b>	<b>1,387,939</b>	<b>1,024,987</b>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		499,898	577,478	1,387,939	1,024,987
<b>Earnings per share (Fils)</b>	9	<b>1.62</b>	<b>1.87</b>	<b>4.50</b>	<b>3.32</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 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
<b>Balance at 1 January 2016</b>	30,874,759	312,020	1,653,604	1,356,461	1,458,169	35,655,013	7,650	<b>35,662,663</b>
Net profit for the period	-	-	-	-	1,024,987	1,024,987	-	<b>1,024,987</b>
<b>Balance at 30 June 2016</b>	30,874,759	312,020	1,653,604	1,356,461	2,483,156	36,680,000	7,650	<b>36,687,650</b>
<b>Balance at 1 January 2017</b>	30,874,759	312,020	1,825,064	1,442,352	1,340,002	35,794,197	7,650	<b>35,801,847</b>
Net profit for the period	-	-	-	-	1,387,939	1,387,939	-	<b>1,387,939</b>
<b>Balance at 30 June 2017</b>	30,874,759	312,020	1,825,064	1,442,352	2,727,941	37,182,136	7,650	<b>37,189,786</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 2017 (Unaudited)

	NOTE	Six months ended 30 June	
		2017	2016
		KD	KD
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		1,387,939	1,024,987
Adjustments for:			
Depreciation and amortization		15,175	10,899
Provision for doubtful debts		(477,008)	100,594
Gain from investments		(47,152)	(120,360)
Income from Murabaha receivable		(28,212)	(26,231)
Finance cost		250,811	398,634
Provision for staff indemnity		43,390	36,293
		<b>1,144,943</b>	<b>1,424,816</b>
Finance receivables		1,209,057	2,656,974
Other receivables and prepayments		24,552	(31,992)
Accounts payable and other credit balances		(376,737)	(1,309,961)
<b>Net cash generated from operating activities</b>		<b>2,001,815</b>	<b>2,739,837</b>
<b>INVESTING ACTIVITIES</b>			
Investment in Murabaha receivables		-	(1,300,000)
Dividends received		80,240	120,360
Income from Murabaha receivables		28,212	26,231
Purchase of property and equipment		(6,605)	(29,568)
<b>Net cash generated from/ (used in) investing activities</b>		<b>101,847</b>	<b>(1,182,977)</b>
<b>FINANCING ACTIVITIES</b>			
Net movement of Islamic Murabaha and Wakala payables		(3,812,752)	380,410
Dividends paid		(99,839)	(39,235)
Finance cost paid		(250,811)	(398,634)
Net cash used in financing activities		(4,163,402)	(57,459)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(2,059,740)</b>	<b>1,499,401</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>5,391,372</b>	<b>5,166,009</b>
<b>Cash and cash equivalents at end of the period</b>	4	<b>3,331,632</b>	<b>6,665,410</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 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 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.

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
	30 June 2017	30 June 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 30 June 2017. The Subsidiaries’ management accounts have been used for the consolidation purposes as at 30 June 2017. The total assets of the subsidiaries are KD 1,541,072 (KD 1,559,014 as at 31 December 2016, KD 2,275,303 as at 30 June 2016), net profits of KD 22,366 during the six months ended 30 June 2017 (net losses KD 39,721 during the six months ended 30 June 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 on 23 August 2017.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information has been prepared in accordance with International 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 2017 are not necessarily indicative of results that maybe 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 to the year ended 31 December 2016.

The accounting policies used in preparing the interim condensed financial information similar to those used in 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 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 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 amendments 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
	30 June 2017	31 Dec. 2016 (Audited)	30 June 2016			
	KD	KD	KD			
<b>Financial assets at fair value through profit or loss:</b>						
Local unquoted shares	2,060,663	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

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD	KD	KD
Cash on hand	1,850	10,659	1,850
Cash at banks and portfolios	3,329,782	5,380,713	6,663,560
	<b>3,331,632</b>	<b>5,391,372</b>	<b>6,665,410</b>

## 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

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD	KD	KD
Regular	19,713,253	23,708,772	27,003,028
Due and not impaired (not exceeded 90 days)	15,568,420	12,868,331	13,358,610
Due and impaired	6,097,570	6,111,837	4,455,953
	<b>41,379,243</b>	<b>42,688,940</b>	<b>44,817,591</b>
Less: deferred revenues	(5,428,114)	(5,598,707)	(5,838,970)
Less: provision for doubtful debts	(4,150,958)	(4,558,013)	(4,032,719)
<b>Finance receivables – net</b>	<b>31,800,171</b>	<b>32,532,220</b>	<b>34,945,902</b>

• *Aging of impaired receivables*

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD	KD	KD
91 – 180 days	503,506	1,169,113	646,795
181 – 365 days	600,835	2,016,054	495,034
More than 365 days	4,993,229	2,926,670	3,314,124
<b>Total</b>	<b>6,097,570</b>	<b>6,111,837</b>	<b>4,455,953</b>

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

	Specific provision	General provision	Total
	KD	KD	KD
<b>Balance at 1 January 2017</b>	<b>2,907,540</b>	<b>1,650,473</b>	<b>4,558,013</b>
Reversal during the period	-	(1,111,339)	<b>(1,111,339)</b>
Provided during the period	704,284	-	<b>704,284</b>
<b>Balance at 30 June 2017</b>	<b>3,611,824</b>	<b>539,134</b>	<b>4,150,958</b>
<b>Balance at 1 January 2016</b>	<b>2,069,207</b>	<b>1,635,947</b>	<b>3,705,154</b>
Charge during the period	253,046	74,519	<b>327,565</b>
<b>Balance at 30 June 2016</b>	<b>2,322,253</b>	<b>1,710,466</b>	<b>4,032,719</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 till to the reporting date. The Group holds KD 11,737,718 (KD 9,362,640 - 31 December 2016; KD 9,597,645 - 30 June 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 69,953 (KD 226,971 - 30 June 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 5.36% (5.40% - 31 December 2016; 5.39% - 30 June 2016).

Islamic Murabaha and Wakala payables are guaranteed against the following:

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD	KD	KD
Investment in Murabaha receivables	4,300,000	4,300,000	4,300,000
Assigning receivables – net	13,780,075	20,459,488	27,609,951
Available for sale investments	1,313,198	1,313,198	1,372,708
Investment properties	1,476,535	1,476,535	1,441,584

## 8. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD	KD	KD
Trade payables	431,621	666,034	758,289
Accrued salaries and other staff accruals	212,684	349,597	204,994
Dividends payable	605,826	705,665	247,572
KFAS	63,870	51,140	45,116
Zakat	29,840	35,236	29,801
Others	53,470	66,214	226,194
	<b>1,397,311</b>	<b>1,873,886</b>	<b>1,511,966</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 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	KD	KD	KD	KD
Net profit for the period	499,898	577,478	1,387,939	1,024,987
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>1.62</b>	<b>1.87</b>	<b>4.50</b>	<b>3.32</b>

## 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.

These proposals are 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:

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD		KD
a) Finance receivable	96,361	110,880	111,636
b) Key management's benefits payable	608,563	580,036	556,800
c) Compensation of key management personnel			
Salaries and other short term benefits	377,357	569,982	381,844
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.

	30 June 2017			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,268,905	47,152	99,803	<b>2,415,860</b>
Segment expenses	(250,811)	-	(777,110)	<b>(1,027,921)</b>
Segment results	2,018,094	47,152	(677,307)	<b>1,387,939</b>
Segment assets	39,431,803	7,071,401	253,138	<b>46,756,342</b>
Segment liabilities	7,550,317	-	2,006,239	<b>9,556,556</b>

	30 June 2016			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,063,154	120,360	41,691	<b>2,225,205</b>
Segment expenses	(499,218)	-	(701,000)	<b>(1,200,218)</b>
Segment results	1,563,936	120,360	(659,309)	<b>1,024,987</b>
Segment assets	45,311,312	7,626,424	947,871	<b>53,885,607</b>
Segment liabilities	15,441,610	-	1,756,347	<b>17,197,957</b>



# المينار

للتموويل والإدارة



2017