

AL MANAR

FINANCING & LEASING



2012

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 SEPTEMBER 2012
(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 income (unaudited)	5
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)	8-13



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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 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 September 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-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 Review of 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 Commercial Companies Law 1960, as amended or of the Parent Company's Articles of Association have occurred during the nine-month period ended 30 September 2012 that might have materially affected the business of the Group or 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 during the nine-month period ended 30 September 2012.

Jassim Ahmad Al-Fahad

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

Kuwait 18 November 2012

Dr. Saud Hamad Al-Humaidi

License No. 51 A
Of Dr. Saud Hamad Al-Humaidi &
Partners
Member of Baker Tilly International

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012 (Unaudited)

	NOTE	30 September 2012	31 December 2011 (Audited)	30 September 2011
		KD	KD	KD
ASSETS				
Cash and cash equivalents		3,627,058	3,368,373	3,571,736
Investment in Murabaha receivable	3	3,114,439	1,503,886	-
Accounts receivable	4	36,038,620	34,010,533	33,485,996
Financial assets at fair value through profit or loss	5	4,759,444	4,726,494	7,378,198
Available for sale investment		2,169,087	2,169,087	-
Investment in associate		-	-	3,755,538
Investment properties		2,146,535	2,032,335	2,017,981
Other receivables and prepayments		580,073	109,789	948,567
Due from related party	9	214,448	214,448	214,448
Intangible assets		6,371	4,071	5,101
Property and equipment		46,590	18,057	13,021
Total assets		52,702,665	48,157,073	51,390,586

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	6	19,321,992	14,865,413	13,606,007
Accounts payable and other credit balances		1,818,489	2,486,200	2,300,965
Provision for staff indemnity		456,324	415,679	382,332
Total liabilities		21,596,805	17,767,292	16,289,304

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	1,265,937
Voluntary reserve		1,243,823	1,243,823	1,243,823
Foreign currency translation reserve		-	-	115,641
(Accumulated losses) / retained earnings		(2,590,679)	(3,306,758)	1,289,102
Total equity		31,105,860	30,389,781	35,101,282
Total liabilities and equity		52,702,665	48,157,073	51,390,586

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 SEPTEMBER 2012 (Unaudited)

	NOTE	Three months ended 30 September		Nine months ended 30 September	
		2012	2011	2012	2011
		KD	KD	KD	KD
INCOME					
Finance revenues		863,778	1,107,626	2,855,122	3,281,930
Net investment gain / (loss)	7	12,678	(55,201)	33,209	(338,644)
Other income		147,960	87,446	513,812	247,971
		1,024,416	1,139,871	3,402,143	3,191,257

EXPENSES					
Finance cost		(286,317)	(262,608)	(876,787)	(858,428)
General and administrative expenses		(280,945)	(365,810)	(1,020,953)	(1,171,151)
Provision for doubtful debts	4	(278,366)	(182,659)	(772,984)	(206,256)
		(845,628)	(811,077)	(2,670,724)	(2,235,835)

Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		178,788	328,794	731,419	955,422
Provision for contribution for KFAS		-	(2,960)	-	(8,599)
Zakat		(4,736)	(3,434)	(15,340)	(9,795)
Profit for the period		174,052	322,400	716,079	937,028
Earnings per share (Fils)	8	0.56	1.04	2.32	3.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the nine months period ended 30 September 2012 (Unaudited)

	NOTE	Three months ended 30 September		Nine months ended 30 September	
		2012	2011	2012	2011
		KD	KD	KD	KD
Net profit for the period		174,052	322,400	716,079	937,028
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		174,052	322,400	716,079	937,028

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 SEPTEMBER 2012 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	(Accumulated losses) / retained earnings	Total
	KD	KD	KD	KD	reserve	KD	KD
Balance at 1 January 2012	30,874,759	312,020	1,265,937	1,243,823	-	(3,306,758)	30,389,781
Net profit for the period	-	-	-	-	-	716,079	716,079
Balance at 30 September 2012	30,874,759	312,020	1,265,937	1,243,823	-	(2,590,679)	31,105,860
Balance at 1 January 2011	30,874,759	312,020	1,265,937	1,243,823	115,641	352,074	34,164,254
Net profit for the period	-	-	-	-	-	937,028	937,028
Balance at 30 September 2011	30,874,759	312,020	1,265,937	1,243,823	115,641	1,289,102	35,101,282

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 SEPTEMBER 2012 (Unaudited)

	NOTE	Nine months ended 30 September	
		2012	2011
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		716,079	937,028
Adjustments for:			
Depreciation and amortization		12,437	11,026
Recovery of impairment loss on investment property		-	(10,541)
Provision for doubtful debts		772,985	206,256
Net investment (gain) / loss		(33,209)	338,644
Income on murabaha receivable		(21,194)	-
Finance cost		876,787	858,428
Provision for staff indemnity		49,825	56,636
		2,373,709	2,397,477
Accounts receivable		(2,801,071)	9,334,024
Movement of investment		(10,772)	-
Other receivables and prepayments		(470,284)	24,658
Due from related party – net		-	(583)
Accounts payable and other credit balances		(667,711)	403,728
Payments of staff indemnity		(9,180)	(32,525)
Net cash (used in) /generated by operating activities		(1,585,309)	12,126,779
INVESTING ACTIVITIES			
Investment in Murabaha receivable		(1,610,553)	
Purchase of investment properties		(114,200)	(844,200)
Dividend received		11,031	40,566
Income on Murabaha receivable		21,194	-
Purchase of property and equipment and intangible assets		(43,270)	(11,496)
Net cash used in investing activities		(1,735,798)	(815,130)
FINANCING ACTIVITIES			
Net movement in Islamic Murabaha and Wakala payables		4,456,579	(8,481,699)
Finance cost paid		(876,787)	(858,428)
Net cash from / (used in) financing activities		3,579,792	(9,340,127)
Net increase in cash and cash equivalents		258,685	1,971,522
Cash and cash equivalents at beginning of the period		3,368,373	1,600,214
Cash and cash equivalents at end of the period		3,627,058	3,571,736

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 SEPTEMBER 2012 (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 General Assembly meeting was not held for the year ended 31 December 2011, therefore the consolidated financial statements have not been approved yet.

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 18 November 2012.

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 2011.

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 nine-month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012.

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 2011.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2012 didn’t have any material impact on the accounting policies financial position performance of the Group.

3. INVESTMENT IN MURABAHA RECEIVABLE

Investments in Murabaha receivable are the deposited amounts at local financial institutions according to Murabaha contracts. The average yield on those contracts is 1% per annum.

4. ACCOUNTS RECEIVABLE

	30 September 2012	31 December 2011 (Audited)	30 September 2011
	KD	KD	KD
Gross receivables	56,979,145	53,857,354	52,657,091
Less: deferred revenues	(10,104,954)	(9,784,234)	(9,575,189)
Less: provision for doubtful debts	(10,835,571)	(10,062,587)	(9,595,906)
Accounts receivable – net	36,038,620	34,010,533	33,485,996

Receivables aging 90 days and below are fully performing. At 30 September 2012, gross receivables of KD 37,360,018 (31 December 2011: KD 34,176,796, 30 September 2011: KD 31,774,000) were fully performing.

- Aging of impaired receivables*

	30 September 2012	31 December 2011 (Audited)	30 September 2011
	KD	KD	KD
91 – 180 days	1,948,065	1,138,049	2,515,742
181 – 360 days	1,070,334	2,696,028	2,458,487
More than 360 days	16,600,728	15,846,481	15,908,862
Total	19,619,127	19,680,558	20,883,091

- Movement in the provision for doubtful debts:*

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2012	9,396,601	665,986	10,062,587
Charge during the period	248,198	524,786	772,984
Balance at 30 September 2012	9,644,799	1,190,772	10,835,571
Balance at 1 January 2011	9,055,148	334,502	9,389,650
Charge / (recovery) during the period	273,575	(67,319)	206,256
Balance at 30 September 2011	9,328,723	267,183	9,595,906

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 11,835,953 (31 December 2011: KD 11,664,356, 30 September 2011: KD 11,650,756) 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 accounts receivable include an amount of KD 30,411,006 (31 December 2011: KD 23,990,904

30 September 2011: KD 22,045,793) pledged as collateral against Islamic Murabaha and Wakala payables.

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

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September	31 December	30 September
	2012	2011	2011
	(Audited)		
	KD	KD	KD
Investments in quoted local shares	135,487	102,537	98,208
Investments in unquoted local shares	4,331,293	4,331,293	6,987,326
Investments in unquoted foreign shares	292,664	292,664	292,664
	4,759,444	4,726,494	7,378,198

The local and foreign unquoted shares are evaluated based on the market multiples approach for the book value of these investments as of 31 December 2011. Investments in funds are evaluated based on the last available NAV from the fund manager.

6. ISLAMIC MURABAHA AND WAKALA PAYABLES

The average cost on Islamic Murabaha and Wakala payables is 6.12% (31 December 2011: 7.14%, 30 September 2011: 7.04%).

7. NET INVESTMENT GAIN/ LOSS

	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	KD	KD	KD	KD
Change in fair value of financial assets at FVTPL	12,678	(55,201)	22,178	(376,647)
Dividend income	-	-	11,031	40,633
Loss on sales of financial assets at FVTPL	-	-	-	(2,630)
	12,678	(55,201)	33,209	(338,644)

8. 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		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	KD	KD	KD	KD
Net profit for the period	174,052	322,400	716,079	937,028
Weighted average number of the Parent Company's outstanding shares	308,747,590	308,747,590	308,747,590	308,747,590
Earnings per share (Fils)	0.56	1.04	2.32	3.03

9. RELATED PARTY BALANCES AND TRANSACTIONS

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 September 2012	31 December 2011 (Audited)	30 September 2011
	KD		KD
a) Accounts Receivable	15,934	54,118	53,557
b) Investments managed by major shareholder	3,788,422	4,346,494	6,954,990
c) Due from related party (Qatar Finance House Company QPSC)	214,488	214,488	214,448
d) Key management's benefits payable	255,965	232,907	198,891
e) Compensation of key management personnel			
Salaries and other short term benefits	373,163	482,919	388,465

10. 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 September 2012			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,949,158	33,209	419,776	3,402,143
Segment expenses	(1,649,772)	-	(1,036,292)	(2,686,064)
Segment results	1,299,386	33,209	(616,516)	716,079
Segment assets	39,665,678	12,189,505	847,482	52,702,665
Segment liabilities	19,321,992	-	2,274,813	21,596,805

	30 September 2011			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	3,420,085	(328,103)	99,275	3,191,257
Segment expenses	(1,064,684)	-	(1,189,545)	(2,254,229)
Segment results	2,355,401	(328,103)	(1,090,270)	937,028
Segment assets	37,057,732	13,650,792	682,062	51,390,586
Segment liabilities	13,606,007	-	2,683,297	16,289,304



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