

AL MANAR

FINANCING & LEASING



2014

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 2014
(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 Company" and its subsidiaries, "collectively referred to as the Group" as of 30 September 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended. The 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

Further, based on our review, the interim condensed consolidated financial information is in agreement with the books of the 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 Company's Memorandum and Articles of Association have occurred during the nine-month period ended 30 September 2014 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 nine-month period ended 30 September 2014, that might had a material effect on the business of Company or its consolidated financial position.

Bader A. Al-Wazzan

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

Kuwait, 30 November 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014 (Unaudited)

	NOTE	30 September 2014	31 December 2013 (Audited)	30 September 2013
		KD	KD	KD
ASSETS				
Cash and cash equivalents		1,837,387	520,182	1,552,930
Investment in Murabaha receivable	4	3,163,262	3,140,032	3,140,032
Finance receivables	5	32,300,319	39,976,713	37,941,863
Financial assets at fair value through profit or loss		3,944,174	3,944,274	4,253,500
Available for sale investment		1,871,876	1,871,876	1,977,621
Investment properties		2,146,535	2,146,535	2,146,535
Other receivables and prepayments		287,878	356,974	438,580
Other assets		52,544	62,499	64,963
Total assets		45,603,975	52,019,085	51,516,024

LIABILITIES AND EQUITY

LIABILITIES				
Murabaha payables and Islamic Wakala	6	8,304,965	12,436,433	14,181,447
Accounts payable		1,061,681	5,023,068	2,798,318
Other credit balances		447,032	582,567	874,546
Provision for staff indemnity		625,923	547,857	539,631
Total liabilities		10,439,601	18,589,925	18,393,942

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	8	968,794	1,243,823	1,243,823
Retained earnings/ (accumulated losses)		1,735,214	(275,029)	(582,107)
Total equity attributable to the shareholders of the Company		35,156,724	33,421,510	33,114,432
Non-controlling interest		7,650	7,650	7,650
Total equity		35,164,374	33,429,160	33,122,082
Total liabilities and equity		45,603,975	52,019,085	51,516,024

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 2014 (Unaudited)

	NOTE	Three months ended 30 September		Nine months ended 30 September	
		2014	2013	2014	2013
		KD	KD	KD	KD
REVENUES					
Finance revenues		947,764	1,539,393	3,164,463	3,777,560
Net investment gain / (loss)		40,120	(61,642)	40,019	151,656
Other income		100,353	251,322	288,784	584,503
		1,088,237	1,729,073	3,493,266	4,513,719

EXPENSES					
Finance cost		(122,571)	(215,423)	(403,098)	(708,419)
(Provided)/ reversal of provision for doubtful debts	5	(48,408)	(248,508)	1,488	(1,131,171)
Staff cost		(227,194)	(221,679)	(734,737)	(706,927)
General and administrative expenses		(103,124)	(148,694)	(590,165)	(421,896)
		(501,297)	(834,304)	(1,726,512)	(2,968,413)

Profit before deductions		586,940	894,769	1,766,754	1,545,306
Kuwait Foundation Advancement of Science		(2,808)	-	(13,426)	-
Zakat		(5,946)	(9,143)	(18,114)	(16,269)
Net profit for the period		578,186	885,626	1,735,214	1,529,037
Other comprehensive income		-	-	-	-
Total comprehensive income		578,186	885,626	1,735,214	1,529,037
Earnings per share (Fils)	7	1.87	2.87	5.62	4.95

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 2014 (Unaudited)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interest	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2013	30,874,759	312,020	1,265,937	1,243,823	(2,111,144)	31,585,395	7,650	31,593,045
Net profit for the period	-	-	-	-	1,529,037	1,529,037	-	1,529,037
Balance at 30 September 2013	30,874,759	312,020	1,265,937	1,243,823	(582,107)	33,114,432	7,650	33,122,082
Balance at 1 January 2014	30,874,759	312,020	1,265,937	1,243,823	(275,029)	33,421,510	7,650	33,429,160
Amortizing of accumulated loss	-	-	-	(275,029)	275,029	-	-	-
Net profit for the period	-	-	-	-	1,735,214	1,735,214	-	1,735,214
Balance at 30 September 2014	30,874,759	312,020	1,265,937	968,794	1,735,214	35,156,724	7,650	35,164,374

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 2014 (Unaudited)

	NOTE	Nine months ended 30 September	
		2014	2013
		KD	KD
OPERATING ACTIVITIES			
Net profit for the period		1,735,214	1,529,037
Adjustments for:			
Depreciation and amortization		25,793	19,485
(Reversal of)/ provided for doubtful debts		(1,488)	1,131,171
Net investment gain		(40,019)	(151,656)
Income from Murabaha receivable		(23,230)	(25,593)
Finance cost		403,098	708,419
Provision for staff indemnity		82,699	74,702
		2,182,067	3,285,565
Finance receivables		7,677,882	125,509
Financial assets at fair value through profit or loss		-	588,834
Other receivables and prepayments		69,095	293,757
Accounts payable and other credit balances		(4,096,922)	318,577
Payments of staff indemnity		(4,633)	(6,916)
Net cash generated by operating activities		5,827,489	4,605,326
INVESTING ACTIVITIES			
Dividends received		40,120	51,319
Purchase of property and equipment		(15,838)	(31,234)
Net cash generated by investing activities		24,282	20,085
FINANCING ACTIVITIES			
Net movement in Murabaha payables and Islamic Wakala		(4,131,468)	(4,834,167)
Finance cost paid		(403,098)	(708,419)
Net cash used in financing activities		(4,534,566)	(5,542,586)
Net increase/ (decrease) in cash and cash equivalents		1,317,205	(917,175)
Cash and cash equivalents at beginning of the period		520,182	2,470,105
Cash and cash equivalents at end of the period		1,837,387	1,552,930

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 2014 (Unaudited)

1. FORMATION AND PRINCIPAL ACTIVITIES

Al Manar Financing and Leasing Company K.S.C. (Closed) (“the Parent Company”) was incorporated in tAl 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 Sharia 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 General Assembly Meeting for the year ended 31 December 2013 was held on 26 September 2014, and approved the financial statements for the year ended 31 December 2013 and approved not to distribute dividends for the year ended 31 December 2013.

The interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 30 November 2014.

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 September 2014 are not necessarily indicative of results that may be expected for the year ending 31 December 2014. For further information, it is possible to refer to the consolidated financial statements and its related notes for the year ended 31 December 2013.

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 2013 except for the adoption of the new and amended IFRS that have become effective from 1 January 2014 and those which are applicable to the Group:

- ***IAS 32 Offsetting Financial Assets and Financial Liabilities***

The adoption of these standards 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 Sep 2014	31 Dec 2013 (Audited)			
	KD	KD			
Fair value through profit or loss:					
Local unquoted shares	3,846,159	3,846,260	Level 2	Market comparative prices of identical assets	The higher the market comparatives, the higher the fair value
Local Funds	98,014	98,014	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. 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 approximately 1% per annum.

5. FINANCE RECEIVABLE

	30 September 2014	31 December 2013 (Audited)	30 September 2013
	KD	KD	KD
Finance receivables	40,910,726	49,778,400	47,866,194
Finance receivables after write off	-	376,929	-
Less: deferred revenues	(5,288,899)	(7,320,089)	(7,107,581)
Less: provision for doubtful debts	(3,321,508)	(2,858,527)	(2,816,750)
Finance receivables – net	32,300,319	39,976,713	37,941,863

- 5.1 Finance receivables of KD 22,079,641 as at 30 September 2014 (31 December 2013: KD 32,636,279; 30 September 2013: KD 29,677,311) were fully performing.
- 5.2 Finance receivables amounted to KD 14,684,076 as at 30 September 2014 (31 December 2013: KD 12,121,567; 30 September 2013: KD 12,021,443) is due from 1 to 90 and not impaired, and for which no specific provision are provided.
- 5.3 Finance receivables amounted to KD 4,147,009 as at 30 September 2014 (31 December 2013: KD 5,397,483; 30 September 2013: KD 6,167,440) due and not collected and impaired are as follows:

• *Aging of impaired receivables*

	30 September 2014	31 December 2013 (Audited)	30 September 2013
	KD	KD	KD
91 – 180 days	1,286,274	791,305	1,518,259
181 – 360 days	769,806	1,598,267	1,757,314
More than 365 days	2,090,929	3,007,911	2,891,867
Total	4,147,009	5,397,483	6,167,440

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

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2014	1,462,677	1,395,850	2,858,527
(Reversal)/ charge during the period	(23,991)	486,972	462,981
Balance at 30 September 2014	1,438,686	1,882,822	3,321,508
Balance at 1 January 2013	9,539,042	1,293,988	10,833,030
Charge during the period	353,644	777,527	1,131,171
Written off	(8,366,714)	(780,737)	(9,147,451)
Balance at 30 September 2013	1,525,972	1,290,778	2,816,750

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 13,295,045 (31 December 2013: KD 14,820,238; 30 September 2013: KD 6,336,798) 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 company recovered an amount of KD 464,469 from the written off finance receivables and reversed the same in the statement of income in provision for doubtful debts.

6. MURABAHA PAYABLES AND ISLAMIC WAKALA

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 5.5% (31 December 2013: 5.55%; 30 September 2013: 5.75%).

Murabaha payables and Islamic Wakala are guaranteed against the following:

	30 September 2014	31 December 2013 (Audited)	30 September 2013
	KD	KD	KD
Investment in Murabaha receivables	3,163,262	3,140,032	3,140,032
Assigning receivables – net	9,647,205	11,918,539	35,951,849
Available for sale investment	1,497,501	1,497,501	1,582,097

7. 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 September		Nine months ended 30 September	
	2014	2013	2014	2013
	KD	KD	KD	KD
Net profit for the period	578,186	885,626	1,735,214	1,529,037
Weighted average number of the Parent Company's outstanding shares	308,747,591	308,747,591	308,747,591	308,747,591
Earnings per share (Fils)	1.87	2.87	5.62	4.95

8. GENERAL ASSEMBLY MEETING

The General assembly of the Shareholders held on 26 June 2014 and approved the consolidated financial statements of the year ended 31 December 2013, and also approved the proposal of Board of Directors to close accumulated losses amounting to KD 275,029 in voluntary reserve, the voluntary reserve after amortizing amounted to KD 968,794.

9. 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 parties 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 2014	31 December 2013 (Audited)	30 September 2013
		KD	KD
a) Finance receivables	50,488	8,224	25,948
b) Investments managed by major shareholder	3,704,862	3,704,862	3,564,128
c) Due from related party (Qatar Finance House Company QPSC)	77,416	164,448	214,448
d) Key management's benefits payable	343,978	318,989	310,660
e) Compensation of key management personnel			
Salaries and other short term benefits	407,086	526,998	443,201

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 2014			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	3,261,299	40,019	191,948	3,493,266
Segment expenses	(642,359)	-	(1,115,693)	(1,758,052)
Segment results	2,618,940	40,019	(923,745)	1,735,214
Segment assets	37,300,968	7,962,585	340,422	45,603,975
Segment liabilities	9,366,646	-	1,072,955	10,439,601

	30 September 2013			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	4,260,591	177,249	75,879	4,513,719
Segment expenses	(1,839,590)	-	(1,145,092)	(2,984,682)
Segment results	2,421,001	177,249	(1,069,213)	1,529,037
Segment assets	42,634,825	8,377,656	503,543	51,516,024
Segment liabilities	14,181,447	-	4,212,495	18,393,942



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