

AL MANAR

FINANCING & LEASING



2016

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 2016
(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 September 2016 and the related interim condensed consolidated statements of 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 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. 1 of 2016, and its executive regulation, or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2016 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 nine-month period ended 30 September 2016, that might had a material effect on the business of Group or its consolidated financial position.

Talal Yousef Al-Muzaini

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

Kuwait 5 December 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016 (Unaudited)

	NOTE	30 September 2016	31 December 2015 (Audited)	30 September 2015
		KD	KD	KD
ASSETS				
Cash and cash equivalents	4	6,703,569	5,166,009	4,839,025
Investment in Murabaha receivable	5	4,300,000	3,000,000	3,000,000
Finance receivables	6	33,437,116	37,703,470	34,776,027
Financial assets at fair value through profit or loss		3,764,004	3,764,004	3,903,206
Available for sale investments		1,715,885	1,715,885	1,776,636
Investment properties	7	2,146,535	2,146,535	2,146,535
Other receivables and prepayments		148,967	264,358	308,692
Other assets		51,816	32,852	35,465
Total assets		52,267,892	53,793,113	50,785,586

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	8	12,826,153	14,302,911	13,231,049
Accounts payable and other credit balances	9	3,118,387	2,861,162	1,213,907
Provision for staff indemnity		1,020,332	966,377	929,531
Total liabilities		16,964,872	18,130,450	15,374,487

EQUITY				
Share capital		30,874,759	30,874,759	30,874,759
Share premium		312,020	312,020	312,020
Statutory reserve		1,653,604	1,653,604	1,493,169
Voluntary reserve		1,270,892	1,356,461	1,196,026
Retained earnings		1,184,095	1,458,169	1,527,475
Total equity attributable to the shareholders of the Parent Company		35,295,370	35,655,013	35,403,449
Non-controlling interests		7,650	7,650	7,650
Total equity		35,303,020	35,662,663	35,411,099
Total liabilities and equity		52,267,892	53,793,113	50,785,586

Bader Ghanem Al Ghanem
Chairman

Kareem Adeeb AL Taji
Vice Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016 (Unaudited)

	NOTE	Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
		KD	KD	KD	KD
REVENUES					
Finance revenues		881,859	941,397	2,850,797	2,771,156
Gains / (losses) from investments		-	34,943	120,360	(92,690)
Other income		122,240	183,628	358,741	490,700
		1,004,099	1,159,968	3,329,898	3,169,166

EXPENSES					
Finance costs		193,570	154,046	592,204	377,584
Provision for doubtful debts	6	304,633	43,642	405,227	130,003
Staff cost		231,851	359,902	754,462	963,138
General and administrative expenses		114,007	118,834	372,758	350,903
		844,061	676,424	2,124,651	1,821,628

Profit before deductions		160,038	483,544	1,205,247	1,347,538
Kuwait Foundation Advancement of Science		(357)	(4,352)	(9,764)	(12,128)
Zakat		(573)	(5,703)	(11,388)	(15,502)
Net profit for the period		159,108	473,489	1,184,095	1,319,908
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		159,108	473,489	1,184,095	1,319,908
Earnings per share (Fils)	10	0.52	1.53	3.84	4.27

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016 (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
Balance at 1 January 2015	30,874,759	312,020	1,493,169	1,196,026	1,751,302	35,627,276	7,650	35,634,926
Net profit for the period	-	-	-	-	1,319,908	1,319,908	-	1,319,908
Cash dividends	-	-	-	-	(1,543,735)	(1,543,735)	-	(1,543,735)
Balance at 30 September 2015	30,874,759	312,020	1,493,169	1,196,026	1,527,475	35,403,449	7,650	35,411,099
Balance at 1 January 2016	30,874,759	312,020	1,653,604	1,356,461	1,458,169	35,655,013	7,650	35,662,663
Net profit for the period	-	-	-	-	1,184,095	1,184,095	-	1,184,095
Dividends (Note 11)	-	-	-	(85,569)	(1,458,169)	(1,543,738)	-	(1,543,738)
Balance at 30 September 2016	30,874,759	312,020	1,653,604	1,270,892	1,184,095	35,295,370	7,650	35,303,020

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 2016 (Unaudited)

	NOTE	Nine months ended 30 September	
		2016	2015
		KD	KD
OPERATING ACTIVITIES			
Net profit for the period		1,184,095	1,319,908
Adjustments for:			
Depreciation and amortization		17,988	14,260
Provision for doubtful debts		405,227	130,003
(Gains) / losses from investments		(120,360)	92,690
Income from Murabaha receivable		(26,231)	(30,271)
Finance costs		592,204	377,584
Provision for staff indemnity		58,453	295,868
Operating profit before changes in working capital		2,111,376	2,200,042
Finance receivables		3,861,127	(3,323,358)
Financial assets at fair value through profit or loss		-	18,196
Other receivables and prepayments		115,391	6,809
Accounts payable and other credit balances		(1,247,128)	(1,024,828)
Payments of staff indemnity		(4,498)	(10,111)
Net cash generated by / (used in) operating activities		4,836,268	(2,133,250)
INVESTING ACTIVITIES			
Dividends received		120,360	83,087
Investment in Murabaha receivables		(1,300,000)	-
Income from Murabaha receivables		26,231	30,271
Proceeds from sale of property and equipment		-	4,032
Purchase of property and equipment		(36,952)	(6,321)
Net cash (used in) / generated by investing activities		(1,190,361)	111,069
FINANCING ACTIVITIES			
Net movement in Islamic Murabaha and Wakala payables		(1,476,758)	6,303,089
Finance costs paid		(592,204)	(377,584)
Dividends to shareholders		(39,385)	(1,299,635)
Net cash (used in) / generated by financing activities		(2,108,347)	4,625,870
Net increase in cash and cash equivalents		1,537,560	2,603,689
Cash and cash equivalents at beginning of the period		5,166,009	2,235,336
Cash and cash equivalents at end of the period		6,703,569	4,839,025

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 2016 (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 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
	2016	2015		
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 September 2016. The total assets of the subsidiaries are KD 2,246,275 (KD 2,226,110 as at 31 December 2015, KD 2,266,809 as at 30 September 2015), net losses of KD 50,545 during the nine months ended 30 September 2016 (net profit KD 95,029 during the nine months ended 30 September 2015).

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.

On 1 February 2016, the new Companies Law no. 1/2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the companies law no. 25 of 2012 and its amendments have been cancelled. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016

and was published in the Official Gazette on 17 July 2016, which cancelled the Executive Regulations of Law No. 25 of 2012. Companies should make necessary arrangements to be in compliance with provisions of the new law within six months from the executive regulation effective date.

The interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 5 December 2016.

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 2016 are not necessarily indicative of results that may be expected for the year ending

31 December 2016. For further information, it is possible to refer to the consolidated financial statements and its related notes for to the year ended 31 December 2015.

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 2015, 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 IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 'Disclosure Initiative
- Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation & Amortisation
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Amendments to IFRS 10, 12 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs 2012–2014 Cycle

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 2016	31 Dec 2015 (Audited)	30 Sep 2015			
	KD	KD	KD			
Fair value through profit or loss:						
Local Unquoted Shares	2,031,853	2,031,853	3,883,295	Level 2	Market comparatives	N/A
Foreign Unquoted Shares	761,426	761,426	-	Level 2	Market comparatives	N/A
Foreign Unquoted Shares	968,174	968,174	-	Level 3	Dividend Discount Model	The higher the discount rate, the lower the fair value
Local Funds	2,551	2,551	19,911	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 September 2016	31 December 2015 (Audited)	30 September 2015
	KD	KD	KD
Cash on hand	1,850	17,317	1,996
Cash at banks and portfolios	6,701,719	5,148,692	4,837,029
	6,703,569	5,166,009	4,839,025

5. INVESTMENT IN MURABAHA RECEIVABLE

Investment in Murabaha receivable is the deposited amounts at a local financial institution according to Murabaha contracts. The average yield on those contracts is 1.125% per annum (1.15% per annum – 2015).

6. FINANCE RECEIVABLE

	30 September 2016	31 December 2015 (Audited)	30 September 2015
	KD	KD	KD
Finance receivables	43,285,142	48,144,206	44,489,464
Less: deferred revenues	(5,467,907)	(6,735,582)	(6,105,529)
Less: provision for doubtful debts	(4,380,119)	(3,705,154)	(3,607,908)
Finance receivables – net	33,437,116	37,703,470	34,776,027

- 6.1 Finance receivables of KD 24,083,184 as at 30 September 2016 (KD 32,534,310 - 31 December 2015, KD 28,474,397 - 30 September 2015) were fully performing.
- 6.2 Finance receivables amounted to KD 13,042,081 as at 30 September 2016 (KD 11,498,159 - 31 December 2015, KD 12,135,260 - 30 September 2015) is due from 1 to 90 and not impaired, and for which no specific provision are provided.
- 6.3 Finance receivable amounted to KD 6,159,877 as at 30 September 2016 (KD 4,111,737 - 31 December 2015, KD 3,879,807- 30 September 2015) due and not collected and impaired are as follows:

- Aging of impaired receivables*

	30 September 2016	31 December 2015 (Audited)	30 September 2015
	KD	KD	KD
91 – 180 days	2,162,573	655,230	737,948
181 – 365 days	677,633	583,447	491,977
More than 365 days	3,319,671	2,873,060	2,649,882
Total	6,159,877	4,111,737	3,879,807

- Net movement in the provision for doubtful debts:*

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2016	2,069,207	1,635,947	3,705,154
Charged / (reversal) during the period	699,896	(24,931)	674,965
Balance at 30 September 2016	2,769,103	1,611,016	4,380,119
Balance at 1 January 2015	1,469,991	1,879,036	3,349,027
Charged / (reversal) during the period	324,633	(65,752)	258,881
Balance at 30 September 2015	1,794,624	1,813,284	3,607,908

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 8,851,375 (KD 10,019,433 - 31 December 2015, KD 15,007,706 - 30 September 2015) 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 Group recovered an amount of KD 269,738 (KD 128,878 - 30 September 2015) from the written off finance receivables and reversed the same in the interim condensed consolidated statement of income in provision for doubtful debts.

7. INVESTMENT PROPERTIES

Investment properties are real estates located in the State of Kuwait with cost of KD 2,146,535 as of 30 September 2016 (KD 2,146,535 - 31 December 2015, KD 2,146,535 - 30 September 2015).

8. ISLAMIC MURABAHA AND WAKALA PAYABLES

Islamic Murabaha and Wakala payables are obtained from financial institutions and are dominated in KD. The average cost on Islamic Murabaha and Wakala payables is 5.39% as of 30 September 2016 (5.56% - 31 December 2015, 5.56% - 30 September 2015).

Islamic Murabaha and Wakala payables are guaranteed against the following:

	30 September 2016	31 December 2015 (Audited)	30 September 2015
	KD	KD	KD
Investment in Murabaha receivables	4,300,000	3,000,000	3,000,000
Assigning receivables – net	23,988,008	28,300,385	4,018,721
Available for sale investments	1,372,708	1,372,708	1,421,309
Investment properties	1,441,584	2,146,535	2,146,535

9. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	30 September 2016	31 December 2015 (Audited)	30 September 2015
	KD	KD	KD
Trade payables	848,846	2,009,507	519,361
Accrued salaries and other staff accruals	174,521	305,413	202,382
Dividends payable	1,791,160	286,807	374,627
KFAS	45,473	35,709	33,398
Zakat	30,374	61,177	58,466
Others	228,013	162,549	25,673
	3,118,387	2,861,162	1,213,907

10. 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	
	2016	2015	2016	2015
	KD	KD	KD	KD
Net profit for the period	159,108	473,489	1,184,095	1,319,908
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)	0.52	1.53	3.84	4.27

11. DIVIDENDS

On 19 September 2016, the shareholders approved the consolidated financial statements for the year ended 31 December 2015, and approved the following:

- 5% dividend for the year 2015 amounted to KD 1,543,738 to be deducted from the retained earnings and from voluntary reserves by KD 1,458,169 and KD 85,569 respectively.
- Board of Directors Committees' remunerations of KD 50,000 for year 2015.

12. RELATED PARTIES' 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 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 September	31 December	30 September
	2016	2015	2015
	(Audited)		
	KD		KD
a) Finance receivables	112,257	70,529	58,840
b) Due from related party (Qatar Finance House Company QPSC)	-	68,576	77,416
c) Key management's benefits payable	568,384	544,732	462,547
d) Compensation of key management personnel			
Salaries and other short term benefits	485,085	556,741	533,243
e) Board of Directors' Committee remunerations	50,000	50,000	-

13. 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 2016			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,988,231	216,810	124,857	3,329,898
Segment expenses	(997,431)	-	(1,148,372)	(2,145,803)
Segment results	1,990,800	216,810	(1,023,515)	1,184,095
Segment assets	44,440,685	7,626,424	200,783	52,267,892
Segment liabilities	13,674,999	-	3,289,873	16,964,872

	30 September 2015			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	3,076,064	38,452	54,650	3,169,166
Segment expenses	(656,387)	-	(1,192,871)	(1,849,258)
Segment results	2,419,677	38,452	(1,138,221)	1,319,908
Segment assets	42,615,052	7,826,377	344,157	50,785,586
Segment liabilities	13,750,410	-	1,624,077	15,374,487

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