

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 SEPTEMBER 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 September 2017 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 regulations, as amended, or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 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 regulation 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 2017, that might had a material effect on the business of Group or on its consolidated financial position.

Talal Yousef Al-Muzaini

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

Kuwait, 28 November 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017 (Unaudited)

	NOTE	30 September 2017 KD	31 December 2016 (Audited) KD	30 September 2016 KD
ASSETS				
Cash and cash equivalents	4	2,680,423	5,391,372	6,703,569
Investment in Murabaha receivables	5	4,300,000	4,300,000	4,300,000
Finance receivables	6	32,293,408	32,532,220	33,437,116
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		206,643	218,505	148,967
Other assets		58,117	67,754	51,816
Total assets		46,609,992	49,614,340	52,267,892

LIABILITIES AND EQUITY

LIABILITIES				
Islamic Murabaha and Wakala payables	7	5,618,095	10,941,448	12,826,153
Accounts payable and other credit balances	8	2,430,728	1,873,886	3,118,387
Provision for staff indemnity		1,070,627	997,159	1,020,332
Total liabilities		9,119,450	13,812,493	16,964,872

EQUITY				
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	1,270,892
Retained earnings		3,028,697	1,340,002	1,184,095
Total equity attributable to the shareholders of the Parent Company		37,482,892	35,794,197	35,295,370
Non-controlling interests		7,650	7,650	7,650
Total equity		37,490,542	35,801,847	35,303,020
Total liabilities and equity		46,609,992	49,614,340	52,267,892

Kareem AL Taji
Chairman

Bader Al Ghanem
Vice Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	NOTE	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		KD	KD	KD	KD
REVENUES					
Finance revenues		811,624	881,859	2,466,809	2,850,797
Gains from investments		-	-	47,152	120,360
Reversal/ (provide) of provision for doubtful debts		(208,342)	(304,633)	268,666	(405,227)
Other income		154,821	122,240	391,336	358,741
		758,103	699,466	3,173,963	2,924,671

EXPENSES					
Finance costs		90,872	193,570	341,683	592,204
Staff costs		247,879	231,851	733,900	754,462
General and administrative expenses		112,464	114,007	377,047	372,758
		451,215	539,428	1,452,630	1,719,424

Profit before deductions		306,888	160,038	1,721,333	1,205,247
Kuwait Foundation Advancement of Science		(2,762)	(357)	(15,492)	(9,764)
Zakat		(3,370)	(573)	(17,146)	(11,388)
Net profit for the period		300,756	159,108	1,688,695	1,184,095
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		300,756	159,108	1,688,695	1,184,095
Earnings per share (Fils)	9	0.97	0.52	5.47	3.84

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 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
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
Cash dividends	-	-	-	(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
Balance at 1 January 2017	30,874,759	312,020	1,825,064	1,442,352	1,340,002	35,794,197	7,650	35,801,847
Net profit for the period	-	-	-	-	1,688,695	1,688,695	-	1,688,695
Balance at 30 September 2017	30,874,759	312,020	1,825,064	1,442,352	3,028,697	37,482,892	7,650	37,490,542

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 2017 (Unaudited)

	NOTE	Nine months ended 30 September	
		2017	2016
		KD	KD
OPERATING ACTIVITIES			
Net profit for the period		1,688,695	1,184,095
Adjustments for:			
Depreciation and amortization		23,128	17,988
Provision for doubtful debts		(268,666)	405,227
Gains from investments		(47,152)	(120,360)
Income from Murabaha receivable		(39,543)	(26,231)
Finance costs		341,683	592,204
Provision for staff indemnity		78,993	58,453
		1,777,138	2,111,376
Finance receivables		507,478	3,861,127
Other receivables and prepayments		11,862	115,391
Accounts payable and other credit balances		689,086	(1,247,128)
Payments of staff indemnity		(5,525)	(4,498)
Net cash generated from operating activities		2,980,039	4,836,268
INVESTING ACTIVITIES			
Investment in Murabaha receivables		-	(1,300,000)
Dividends received		80,240	120,360
Income received from Murabaha receivables		39,543	26,231
Purchase of property and equipment		(13,490)	(36,952)
Net cash generated from/ (used in) investing activities		106,293	(1,190,361)
FINANCING ACTIVITIES			
Net movement of Islamic Murabaha and Wakala payables		(5,323,353)	(1,476,758)
Dividends paid		(132,245)	(39,385)
Finance costs paid		(341,683)	(592,204)
Net cash used in financing activities		(5,797,281)	(2,108,347)
Net (decrease)/ increase in cash and cash equivalents		(2,710,949)	1,537,560
Cash and cash equivalents at beginning of the period		5,391,372	5,166,009
Cash and cash equivalents at end of the period	4	2,680,423	6,703,569

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 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 and 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
	2017	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 September 2017. The total assets of the subsidiaries are KD 1,549,579 (KD 1,559,014 as at 31 December 2016, KD 2,246,275 as at 30 September 2016), net profits of KD 22,802 during the nine months ended 30 September 2017 (net losses KD 50,545 during the nine months ended 30 September 2016).

The interim condensed consolidated financial information was approved for issue by the Board of Directors on 19 November 2017.

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 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 Sep 2017	31 Dec 2016 (Audited)	30 Sep 2016			
	KD	KD	KD			
Fair value through profit or loss:						
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	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	31 December	30 September
	2017	2016	2016
	(Audited)		
	KD	KD	KD
Cash on hand	1,850	10,659	1,850
Cash at banks and portfolios	2,678,573	5,380,713	6,701,719
	2,680,423	5,391,372	6,703,569

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 September	31 December	30 September
	2017	2016	2016
	(Audited)		
	KD	KD	KD
Regular	21,539,248	23,708,772	24,083,184
Due and not impaired (not exceeded 90 days)	12,875,918	12,868,331	13,042,081
Due and impaired	7,961,573	6,111,837	6,159,877
	42,376,739	42,688,940	43,285,142
Less: deferred revenues	(5,692,208)	(5,598,707)	(5,467,907)
Less: provision for doubtful debts	(4,391,123)	(4,558,013)	(4,380,119)
Finance receivables – net	32,293,408	32,532,220	33,437,116

- Aging analysis of due and impaired receivables*

	30 September	31 December	30 September
	2017	2016	2016
	(Audited)		
	KD	KD	KD
91 – 180 days	2,253,990	1,169,113	2,162,573
181 – 365 days	467,164	2,016,054	677,633
More than 365 days	5,240,419	2,926,670	3,319,671
Total	7,961,573	6,111,837	6,159,877

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

	Specific provision	General provision	Total
	KD	KD	KD
Balance at 1 January 2017	2,907,540	1,650,473	4,558,013
Reversal during the period	-	(1,237,392)	(1,237,392)
Provided during the period	1,070,502	-	1,070,502
Balance at 30 September 2017	3,978,042	413,081	4,391,123
Balance at 1 January 2016	2,069,207	1,635,947	3,705,154
Charge during the period	699,896	(24,931)	674,965
Balance at 30 September 2016	2,769,103	1,611,016	4,380,119

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 12,383,324 (KD 9,362,640 - 31 December 2016; KD 8,851,375 - 30 September 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 111,775 (KD 269,738 - 30 September 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 September 2016).

Islamic Murabaha and Wakala payables are guaranteed against the following:

	30 September 2017	31 December 2016 (Audited)	30 September 2016
	KD	KD	KD
Investment in Murabaha receivables	4,300,000	4,300,000	4,300,000
Assigning receivables – net	12,055,088	20,459,488	23,988,008
Available for sale investments	-	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 September 2017	31 December 2016 (Audited)	30 September 2016
	KD	KD	KD
Trade payables	1,510,693	666,034	848,846
Accrued salaries and other staff accruals	202,825	349,597	174,521
Dividends payable	573,420	705,665	1,791,160
KFAS	52,193	51,140	45,473
Zakat	33,209	35,236	30,374
Others	58,388	66,214	228,013
	2,430,728	1,873,886	3,118,387

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 September		Nine months ended 30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Net profit for the period	300,756	159,108	1,688,695	1,184,095
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)	0.97	0.52	5.47	3.84

10. DIVIDENDS

On 2 October 2017, the shareholders approved the consolidated financial statements for the year ended 31 December 2016, and approved the followings:

- Distribution of dividends of 5% from the profits of 2016, to be deducted from the retained earnings by KD 1,340,002 and deducted from voluntary reserve by KD 203,736.
- Board of Directors Committees' remunerations of KD 59,800 for 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 September 2017	31 December 2016 (Audited)	30 September 2016
	KD		KD
a) Finance receivables	98,848	110,880	112,257
b) Key management's benefits payable	620,295	580,036	568,384
c) Compensation of key management personnel			
Salaries and other short term benefits	481,174	569,982	485,085
d) Board of Directors' Committee 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 September 2017			
	Finance	Investment	Unallocated items	Total
	KD	KD	KD	KD
Segment revenues	2,965,625	47,152	161,186	3,173,963
Segment expenses	(341,683)	-	(1,143,585)	(1,485,268)
Segment results	2,623,942	47,152	(982,399)	1,688,695
Segment assets	39,273,831	7,071,401	264,760	46,609,992
Segment liabilities	7,128,788	-	1,990,662	9,119,450

	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



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