شركة التسهيلات التجارية ش.م.ك وشركاتها التابعة

COMMERCIAL FACILITIES CO. S.A.K & Subsidiaries

البيانات المالية المجمعة وتقرير مراقبي الحسابات المستقلين

للسنة المنتهية في 31 ديسمبر 2016

2016

المكتب الرئيسي: بناية التسهيلات

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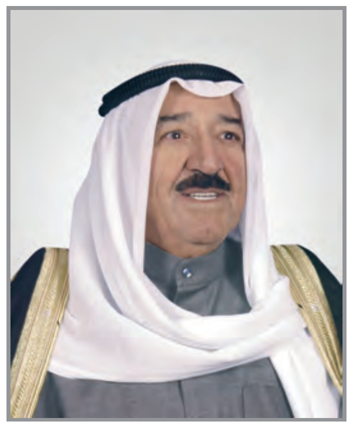
His Highness Sheikh
Nawaf Al Ahmed Al Jaber Al Sabah
The Crown Prince



His Highness Sheikh
Sabah Al Ahmed Al Jaber Al Sabah
The Amir of The State of Kuwait

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THE BOARD OF DIRECTORS

Ali Ibrahim Marafi
Chairman

Abdullah Saud Al-Humaidhi
Vice Chairman and
Chief Executive Officer

Mohammed Reda Behbehani
Board Member

AlHareth Abdulrazak Al-Khaled
Board Member

Musaed Bader Al-Sayer
Board Member

Khaled Mishari Al-Khaled
Board Member

Dr. Ayman Bader Al-Bloushi
Board Member

MANAGEMENT

Abdullah A. Al-Refai
Manager
Branches Department

Varughese Abraham
Manager
IT Department

Ayman Abo Shadi
Manager
Legal Department

Hamad F. Al-Maghlooth
Manager
Follow Up Department

Abdulaziz M. Shooman
Manager
Control Department

Basheer I. Habayeb
Senior Manager
Credit Department

Khaled A. Al-Ali
Deputy Chief
Executive Officer

Abdullah S. AlHumaidhi
Vice Chairman and
Chief Executive Officer

Nasser A. Al-Mannai
Assistant CEO
Marketing

Mohammed Abu Hawili
Manager Services
Support Department

NEVER MISSED A YEAR

DIVIDENDS DISTRIBUTION

CASH DIVIDENDS DISTRIBUTION FOR THE LAST 7 YEARS

2016	fils 16
2015	fils 17
2014	fils 20
2013	fils 20
2012	fils 24
2011	fils 22
2010	fils 22

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

DEAR SHAREHOLDERS,

It is with great pride, the Board of Directors of Commercial Facilities Company presents to you the company's thirty eighth Financial Report for the year ended 31st December 2016.

The company continued its successful performance as in past years, despite a continued challenging financial environment and interest rates on the Kuwaiti Dinars remaining at a historical lows, the company was able to achieve a net profit of 8.09 million Kuwaiti Dinars. This represents a 5.67% decline compared to last year's performance which is a result of provisions of doubtful debts amounting to 2.76 million Kuwaiti Dinars as compared to 1.97 thousands Kuwaiti Dinars.

In addition, the installment credit revenue increased by 60 thousands and reached 17.56 million Kuwaiti dinars an increase of 0.34% as a result of the increase in the Installment Credit Portfolio, while the staff, general and administration expenses decreased by 8.3%, remuneration to key staff including executive management during the year was 461 thousand Dinars.

As for the company funding operations, four loans were arranged amounting to 67 million Kuwaiti Dinars and one loan in US dollars of 50 million US dollars. The Board of Directors is confident in the company's ability to further secure future funding at the best rates, reflecting the credit worthiness of the company.

Moreover, the board of directors expects a better performance in 2016 based on its future forecast and projections as a result of the company's marketing initiatives.

Based on the company's results for 2016 the Board of Directors is pleased to propose the distribution of dividends equivalent to 16% (16 fils per share equivelant to to 8,132,430 million Kuwaiti Dinars) to registered shareholders as of the date of the General Assembly and propose a board remuneration of 105 thousand Kuwaiti Dinars (15 thousand Kuwaiti Dinars per member).

The Board of Directors would like to take this opportunity to extend its sincere thanks to all of the company's customers and to all the governmental establishments and the financial and commercial institutions that helped facilitate the company's operations. In addition the Board of directors extends its appreciation to the management and staff for their integrity and efforts in the making of another successful year.

Board of Directors

Corporate Governance

Board Of Directors

The Company is managed by a board of directors consisting of seven directors, each director having the experience, knowledge and qualification necessary to perform the functions of the Board effectively and to ensure the Board's ability to attain the long term objectives of the company. The term of the board is three years, and is renewable.

BOD members

Name	Position
Ali Ibrahim Marafi	Chairman
Abdullah Saud Al-Humaidhi	Vice Chairman and Chief Executive Officer
Mohammed Reda Behbehani	Board Member (Independent)
Musaed Bader Al-Sayer	Board Member (Independent)
AlHareth Abdulrazak Al-Khaled	Board Member
Khaled Mishari Al-Khaled	Board Member
Dr. Ayman Bader Al-Bloushi	Board Member

1. **Mr. Ali Ibrahim Haji Husain Marafi**
   Chairman

   Joined the Board of Directors of Commercial Facilities Company in 1992. He is a Board and the Chairman of the Credit Committee at Al-Ahli Bank of Kuwait, The Vice Chariman of United Real Estate Company and a Board Member of Arab-French Bank (Paris- Hong Kong). He has experience in banking and administration for more than 31 years.

2. **Mr. Abdullah Saud Abdul Aziz Al-Humaidhi**
   Vice Chairman and CEO

   Joined the Board of Directors of Commercial Facilities Company in 1980 and appointed as a Managing Director in 1983. He is a member of the board of Directors and the Executive Committee of the Kuwait Investment Authority, a Board Member and Honorary Treasurer of the Chamber of Commerce and Industry, the Vice Chairman of the Board of Directors and the Chairman of the investment Committee at the Public Institute for Social Security, a Board Member and the Chairman of the Corporate Governance Committee at Arab Banking Corporation (Bahrain), the Vice Chairman of the Arab Banking Corporation International (London) and a Board Member and the Chairman of the Compensation Committee at First National Bank (Lebanon). He has experience in investment and banking for more than 36 years.

3. **Mr. Mohammed Reda Yousef Behbehani**

   Board Member

   Joined the Board of Directors of Commercial Facilities Company in 1977. He is the Vice Chairman and a partner in Mohammed Saleh and Reza Yousef Behbehani Company, a Board Member of Maersk Kuwait Co, a Board Member of the United Refreshments Company (Pepsi ,Cola, Seven-up) and a Board Member of New Indian Insurance Company. He has experience in financial and commercial business for more than 51 years.

4. **Mr. Musaed Bader Mohammed Al-Sayer**

   Board Member

   Joined the Board of Directors of Commercial Facilities Company in 1977. He is the Vice Chairman of the Al-Sayer Group of companies, the Chairman of Musaed Bader Al-Sayer Group of Companies, a former Chairman of the Kuwait Container Company, a former Board Member of the Gulf Insurance Union and Project Management (Bahrain), and the founder of the Kuwaiti Industries Union. He has experience in commercial and investment business for more than 36 years. .

5. **Mr. AlHareth Abdulrazak Zaid Al-Khaled**

   Board Member

   Joined the Board of Directors of Commercial Facilities Company in 1992. He is the Chairman of the Refrigeration and Oxygen Co. Ltd. and Chairman of Real Estate Facilities Investment Company. He has experience in administrative and investment business for more than 26 years.

6. **Mr. Khaled Mishari Al-Khaled**

   Board Member

   Joined the Board of Directors of Commercial Facilities Company in 2010. He is a Board Member of the Chamber of Commerce and Industry , the Vice Chairman of the Board at Al-Khaled Companies, the Vice Chairman of Loloa Co. and a Board Member of the Union of Aluminum Factories. He has experience in commercial and investment business for more than 21 years.

7. **Dr. Ayman Bader Al-Bloushi**

   Board Member

   Joined The Board of Directors of Commercial Facilities Company in 2016. He is a Manager at the Follow-up and Coordination Department at the Public Institute for Social Security. He has experience in investment and financial business for more than 17 years.

Authorities of the Board of Directors:

The Board of Directors has the broadest authority to manage the company and to perform the required for the management of the company according to its objectives limited only by the regulations, company's by-laws or General Assembly resolutions.

The Board of Directors may use consultations or experts to help manage the tasks assigned to them.

All members of the Board of Directors have the right to receive any documents or information regarding the company which will help them in performing their duties. This information is provided through the board secretary.

Tasks and responsibilities of the Board of Directors:

- Adoption of objectives, strategies and policies of the company
- Approval of the annual budget and approval of the annual financial statements
- Maintain and manage major Capital expenditure
- Assures the Company's compliance towards policies and procedures and internal regulations
- Ensure the accuracy and integrity of the data and information to be disclosed, according to the policies

Committees of The Board of Directors

Internal Audit Committee

Objective: Help monitor the activities of the company and insure the following:

1- The accuracy and validity of the financial statements.

2- Compliance with laws and regulations.

3- The independence and effectiveness of the internal and external audit.

Committee Members

Mr. Musaed Bader Al Sayer	Chairman
Mr. AlHareth Abdulrazak Al-Khaled	Member
Mr. Khaled Mishari Al-Khaled	Member
Dr. Ayman Bader Al-Bloushi	Member

Risk Committee

Objective: Identify, evaluate and measures associated risks and take necessary action to minimize and mitigate, insuring the following:

Risks inherent in the activity of the company`s and the monitoring of these risks.

Assessment and review of credit, liquidity, operation and business continuity risks.

Committee Members

Mr. AlHareth Abdulrazak Al-Khaled	Chairman
Mr. Abdullah Saud Al-Humaidhi	Member
Mr. Musaed Bader Al Sayer	Member
Dr. Ayman Bader Al-Bloushi	Member

Investment Committee

Objective: To Support the BOD to execute the supervision responsibilities on Investment Assets and support the Executive Management to achieve the Investment plan.

Committee Members

Mr. Abdullah Saud Al-Humaidi	Chairman
Mr.Ali Ibrahim Marafi	Member
Mr. AlHareth Abdulrazak Al-Khaled	Member

Nomination and Remuneration Committee

Objective recommending and nominating the positions for Board of Directors and executive management, In addition to recommendation relating to policy and procedure of granting compensation and bonuses

Committee Members

Mr. Ali Ibrahim Marafi	Chairman
Mohammed Reda Behbehani	Member
Mr. Abdullah Saud Al-Humaidhi	Member
Mr. Khaled Mishari Al-Khaled	Member

The Below Table illustrates the numbers of Board of Directors and Board committees meetings, moreover, the attendance number of each member during the year 2016:

Members \ Committees (*)	Board (7)	Audit Committee (4)	**Risk Committee (2)	Investment Committee (4)	Nomination and remuneration Committee (1)
Mr. Ali Ibrahim Haji Hussein Marafi Chairman of the Board Chairman of the Nomination and Remuneration Committee	6	--	--	4	1
Mr. Abdullah Saud Abdul Aziz Al - Humaidhi Vice Chairman & CEO Chairman of Investment Committee	7	--	2	4	1
Mr. Mohammed Reda Yousef Behbehani Board Member (Independent)	5	--	--	--	1
Mr. Musaed Bader Mohammed Al - Sayer Board Member (Independent) Chairman of Audit Committee	5	4	2	--	--
Mr. AlHareth Abdulrazak Al-Khaled Chairman of Risk Committee	4	3	1	3	--
Mr. Khaled Mishari Al Khaled Board Member	4	2	--	--	1
Dr. Ayman Bader Al-Bloushi Board Member ***	4	3	2	--	--

* Number of meetings held.
** Risk Committee Formed on 26/05/2016
*** Joined the Board at the 27/04/2016
The Symbol “—“ not a member in the committee

Disclosures on the Bonuses

The total amount of the bonus is 105 Thousand Kuwaiti Dinars, 15 Thousand Kuwaiti Dinar for each Member.

Anti-Money Laundering and Combating Financial Terrorism (AML/CFT) Policy

To enable the company to protect its services, monitor and detect any suspicious activities, disable support for criminals and prevent them from using the financial system and to ensure compliance with regulatory requirements related to AML/CFT, Commercial Facilities Co. has developed internal policies and guidelines in accordance with the Kuwaiti Law and Regulations which helps to:

- Implement Know Your Customer (KYC) principle.
- Opening of accounts and Dealing with diverse customer types.
- Staff training on the development of the fight against money laundering and financing terrorism.
- Recognizing the warning pattern of suspicious transactions and handling them.
- Dealing with Politically Exposed Persons (PEP)
- Updating data and preserving files.

Ethics and Professionalism:

The entire workforce of the company is to adhere to the work ethics and professional standards of the company. All employees will be accountable in implementing and upholding these standards.

The employees are responsible for being aware and adhering strictly to the internal processes and operational rules in place in their respective departments. All employees are required to:

- Have knowledge, full understanding and complete adherence to the rules, regulations and internal processes of the company at all times
- Act in the best interest of the company in all circumstances without consideration to personal relationships
- Avoid any situation that could result in a conflict of interest. And in the case of having doubts about such a circumstance arising to immediately inform the respective department head or the company's compliance officer.
- Commit to strict upholding of confidentiality of information
- Make sure not to overstep their specified authority in conducting business and comply with the hierarchy of authorized signatories
- Take complete responsibility in delegation of tasks to others and overseeing their execution in the proper manner
- Respect the dignity and privacy of their colleagues

Social Responsibility:

The Company is aware of the importance of its social responsibilities, and it is constantly working on achieving economic and social development in general and for employees in particular. Therefore, the company had contributed 46 Thousand Kuwaiti Dinars for education, health, sport and special needs people.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COMMERCIAL FACILITIES COMPANY S.A.K.P.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Commercial Facilities Company S.A.K.P. (the "Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted for use by the State of Kuwait.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities, under those standards, are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We identified the following key audit matters:

a) Impairment of Instalment debtors

Impairment of instalment debtors is a highly subjective area due to the level of judgement applied by management in determining provisions which is dependent on the credit risk related to those debtors. Certain judgements applied by the management in accounting for impairment of instalment debtors include the identification of impairment events,

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

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the valuation of collaterals and assessment of customers that may default, and the future cash flows of instalment debtors granted.
Due to the significance of instalment debtors and the related estimation uncertainty, this is considered a key audit matter. The Group's policies on determination and recognition of impairment of instalment debtors is disclosed in the Note 2 accounting policies and in Note 4 to the consolidated financial statements.

Our audit procedures included the assessment of controls over the granting, recording and monitoring processes of instalment debtors and the impairment provisioning process to validate the operating effectiveness of the key controls in place, which identify the impaired instalment debtors and the provisions required against them. As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented and operating effectively.

In addition to testing the key controls, we selected samples of instalment debtors outstanding as at the reporting date and assessed critically the criteria for determining whether an impairment event had occurred and therefore whether there was a requirement to calculate an impairment provision. For the samples selected, we also verified whether all impairment events as identified by us had also been identified by the Group's management. Our selected samples also included non-performing instalment debtors, where we assessed management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. For the performing instalment debtors, we assessed whether the borrowers exhibit any possible default risk that may affect the repayment abilities.

a) Valuation of unquoted investment securities
The fair value of investment securities is determined through application of valuation techniques which often involve the exercise of judgment by the management and the use of assumptions and estimates, most predominantly for the instruments classified under level 2 and level 3. For these levels the fair value is subject to estimation uncertainty as significant judgment is applied by management to determine the fair value. Examples of key assumptions applied by management include pricing multiples available from comparable companies, forecast of cash flows and related discount rates, and estimated maintainable dividend. Due to significance of such investment securities carried at fair value and related estimation uncertainty, this is considered a key audit matter. The Group's policies on valuation and impairment of investment securities carried at fair values are given in Note 2.

As part of our audit procedures, for Level 2 and Level 3 valuations, we tested the appropriateness of the models used by the Group and the reliability of the data that was used as input to these models. We compared the models used for the valuations with the prior years and determined that the valuation models are consistently applied by the Group. We also evaluated the Group's assessment whether objective evidence of impairment exists for debt investments and where the fair value of equity investments are below cost, whether it represents a significant or prolonged decline in value. We further assessed that the main assumptions and related uncertainties are appropriately reflected in the sensitivity disclosure in Note 23 of the consolidated financial statements. Fair value disclosures for investment securities carried at fair value are presented in Notes 5 and 23 to the consolidated financial statements.

OTHER INFORMATION

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2016, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2016 after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AS PART OF AN AUDIT IN ACCORDANCE WITH ISAS, WE EXERCISE PROFESSIONAL JUDGMENT AND MAINTAIN PROFESSIONAL SCEPTICISM THROUGHOUT THE AUDIT. WE ALSO:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

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conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the Parent Company's Board of Directors report relating to these consolidated financial statements are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016, and its executive regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016, and its executive regulations or of the Memorandum of Incorporation and Articles of Association, as amended have occurred during the financial year ended 31 December 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 audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Market Authority and its related regulations during the financial year ended 31 December 2016 that might have had a material effect on the business of the Group or on its financial position.

Talal Yousef Al-Muzaini
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Ali Abdulrahman Al-Hasawi
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Kuwait 28 February 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 KD'000	2015 KD'000
ASSETS			
Cash and bank balances	3	39,431	30,367
Other receivables and prepayments		1,651	1,379
Instalment debtors	4	256,327	253,621
Financial assets at fair value through profit or loss	5	7,152	8,132
Available-for-sale investments	5	27,999	22,762
Investments in associates	6	13,030	12,919
Investment properties	8	4,200	1,739
Property and equipment	9	2,243	2,293
TOTAL ASSETS		352,033	333,212
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	3	-	556
Trade creditors and accrued liabilities	10	5,455	6,473
Term loans	11	174,353	153,811
Provision for staff indemnity		4,227	4,145
Total liabilities		184,035	164,985
EQUITY			
Share capital	12	53,676	53,676
Share premium		1,433	1,433
Legal reserve	13	47,421	46,566
Voluntary reserve	14	48,093	48,093
Fair value reserve		3,533	2,923
Foreign currency translation reserve		1,016	949
Land revaluation reserve		852	899
Treasury shares	15	(11,189)	(10,945)
Gain on sale of treasury shares		14	47
Retained earnings		23,149	24,586
Total equity		167,998	168,227
Total liabilities and equity		352,033	333,212

Ali Ibrahim Marafi
Chairman

Abdullah Saud Al-Humaidhi
Vice Chairman and CEO

The accompanying notes 30 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2016

	Notes	2016 KD'000	2015 KD'000
Income from instalment credit		17,557	17,497
Share of results of associates	6	576	754
Other income		2,143	1,625
Rental income from investment in property		280	-
Gain on sale of investment property	8	-	68
Total other income		2,999	2,447
Borrowing costs		(4,806)	(3,903)
Staff costs and related expenses		(2,566)	(2,741)
General and administrative expenses		(936)	(1,076)
Net foreign exchange loss		(212)	(235)
Net losses from investments	5	(303)	(747)
Change in fair value of investment in properties	8	(146)	-
Total other expenses		(8,969)	(8,702)
Profit before provision for credit losses and impairment losses		11,587	11,242
Provision for doubtful debts, net of released amount	4	(2,763)	(1,966)
Impairment losses on available-for-sale investments		(274)	(216)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		8,550	9,060
KFAS	16	(86)	(91)
NLST and Zakat	17	(272)	(291)
Directors' remuneration	18	(105)	(105)
Profit for the year		8,087	8,573
Earnings per share	19	16 Fils	17 Fils

The accompanying notes 30 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	2016	2015
	KD'000	KD'000
Profit for the year	8,087	8,573
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation (loss)/ gain on land	(47)	195
Items that may be reclassified subsequently to profit or loss		
Foreign exchange gain	67	368
Available-for-sale investments		
Change in fair value of available-for-sale investments	336	391
Impairment of available-for-sale investments transferred to the consolidated statement of profit or loss	274	216
Other comprehensive income for the year	630	1,170
Total comprehensive income for the year	8,717	9,743

The accompanying notes 30 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Legal reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Land revaluation reserve	Treasury shares	Gain/ (loss) on sale of treasury shares	Retained earnings	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 31 December 2014	53,676	1,433	45,660	48,093	2,316	581	704	(9,987)	47	27,206	169,729
Profit for the year	-	-	-	-	-	-	-	-	-	8,573	8,573
Revaluation gain on land	-	-	-	-	-	-	195	-	-	-	195
Foreign exchange gains	-	-	-	-	-	368	-	-	-	-	368
Available-for-sale investments											
Change in fair value of available-for-sale investments	-	-	-	-	391	-	-	-	-	-	391
Impairment of available-for-sale investments transferred to the consolidated statement of profit or loss	-	-	-	-	216	-	-	-	-	-	216
Total comprehensive income for the year	-	-	-	-	607	368	195	-	-	8,573	9,743
Dividends (See note 18)	-	-	-	-	-	-	-	-	-	(10,287)	(10,287)
Purchase of treasury shares	-	-	-	-	-	-	-	(958)	-	-	(958)
Transfer to reserves	-	-	906	-	-	-	-	-	-	(906)	-
Balance at 31 December 2015	53,676	1,433	46,566	48,093	2,923	949	899	(10,945)	47	24,586	168,227
Profit for the year	-	-	-	-	-	-	-	-	-	8,087	8,087
Revaluation loss on land	-	-	-	-	-	-	(47)	-	-	-	(47)
Foreign exchange gains	-	-	-	-	-	67	-	-	-	-	67
Available-for-sale investments											
Change in fair value of available-for-sale investments	-	-	-	-	336	-	-	-	-	-	336
Impairment of available-for-sale investments transferred to the consolidated statement of profit or loss	-	-	-	-	274	-	-	-	-	-	274
Total comprehensive income for the year	-	-	-	-	610	67	(47)	-	-	8,087	8,717
Dividends (See note 18)	-	-	-	-	-	-	-	-	-	(8,669)	(8,669)
Purchase of treasury shares	-	-	-	-	-	-	-	(305)	-	-	(305)
Sale of treasury shares	-	-	-	-	-	-	-	61	(33)	-	28
Transfer to reserves	-	-	855	-	-	-	-	-	-	(855)	-
Balance at 31 December 2016	53,676	1,433	47,421	48,093	3,533	1,016	852	(11,189)	14	23,149	167,998

The accompanying notes 30 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		KD'000	KD'000
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		8,550	9,060
Adjustments for:			
Interest income		(832)	(683)
Provision for doubtful debts, net of released amount		2,763	1,966
Decrease in fair value of financial assets at fair value through profit or loss		571	834
Gain on sale of financial assets at fair value through profit or loss		(97)	-
Gain on sale of available-for-sale investments		(171)	(87)
Impairment loss on available-for-sale investments		274	216
Foreign currency exchange gain on investment securities		71	(8)
Dividend income		(1,227)	(765)
Share of results of associates		(576)	(754)
Change in fair value of investment properties		146	-
Gain on sale of investment property		-	(68)
Depreciation		48	156
Unrealised loss on derivative financial instruments		-	92
Provision for staff indemnity		118	343
		9,638	10,302
Increase in other receivables and prepayments		(272)	(727)
Increase in instalment debtors		(5,469)	(22,567)
Decrease in trade creditors and accrued liabilities		(1,580)	(270)
Cash from/ (used in) operations		2,317	(13,262)
Interest received		832	683
Dividends received		1,227	765
Staff indemnity paid		(36)	(52)
Net cash from/ (used in) operating activities		4,340	(11,866)

The accompanying notes 30 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED 31 DECEMBER 2016

INVESTING ACTIVITIES	Note	2016	2015
		KD'000	KD'000
Increase in term deposits		(6,650)	(1,367)
Purchase of financial assets at fair value through profit or loss		(179)	-
Proceeds from sale of financial assets at fair value through profit or loss		685	-
Purchase of available-for-sale investments		(5,364)	(6,565)
Proceeds from sale of available-for-sale investments		630	439
Dividends from associate		465	530
Purchase of investment in properties		(2,607)	(1,739)
Proceeds from sale of investment properties		-	2,020
Purchase of property and equipment		(46)	(75)
Proceeds from sale of property and equipment		1	-
Net cash used in investing activities		(13,065)	(6,757)
FINANCING ACTIVITIES			
Proceeds from term loans		20,542	57,499
Bond repayment		-	(25,000)
Dividends paid		(8,570)	(10,037)
Purchase of treasury shares		(305)	(958)
Sale of treasury shares		28	-
Net cash from financing activities		11,695	21,504
Net increase in cash and cash equivalents		2,970	2,881
Cash and cash equivalents at beginning of the year		16,005	13,124
Cash and cash equivalents at end of the year	3	18,975	16,005

The accompanying notes 30 to 63 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Commercial Facilities Company – S.A.K.P. ("the Parent Company") was incorporated on 16 January 1977 in accordance with the Commercial Companies Law in the State of Kuwait. The Company's shares were listed on the Kuwait Stock Exchange on 29 September 1984.

The Parent Company is regulated by the Central Bank of Kuwait ("CBK") and the Kuwait Capital Market Authority ("CMA").

The Parent Company and its subsidiaries (collectively "the Group") have been established to perform the following objectives within and outside the State of Kuwait:

1) Providing short and medium term loans to individuals and entities with the aim of financing purchase of vehicles, equipment and home appliances.
2) Financing consumer products of raw materials, manufactured or semi-manufactured.
3) Providing short, medium and long term loans to individuals to finance the purchase of land and properties.
4) Providing operating or financing lease for vehicles and equipment.
5) Providing necessary guarantees related to the Parent Company objectives.
6) Establishing companies, associated with the original company, specialised in marketing to collaborate with products' agents and insurance companies in return for commission or discount that correlate with the volume of sales and insurance achieved with the agent.
7) Investing in real estate, industrial, agricultural and other economic sectors through participation in the establishment of specialised companies or the purchase of their shares.
8) Purchasing and selling of financial securities such as shares and bonds for the Parent Company's account being a part of the Parent Company's investment portfolio.
9) Acting as intermediary in managing loans and syndicated loans on commission basis.

The Parent Company cannot open current or saving accounts for others, accept deposits, open letters of credit or represent foreign banks. However, without violating this restriction, the Parent Company can have an interest in or collaborate, by all means, with organisations dealing and involved in similar businesses or those that can support and help achieve its objectives within or outside the State of Kuwait and also has the right to purchase these organisations or make them affiliated entities.

The address of the Parent Company's registered office is P.O. Box 24284, Safat 13103, State of Kuwait.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. 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.

These consolidated financial statements were authorized for issue by the Board of Directors on 28 February 2017.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRS except for the International Accounting Standard '(IAS) 39: Financial Instruments: Recognition and Measurement' requirement for collective provision, which has been replaced by CBK's requirement for a minimum general provision as described under the accounting policies for impairment and uncollectibility of financial assets.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The consolidated financial statements have been prepared under the historical cost basis of measurement except for the measurement at fair value of financial assets classified as fair value through profit or loss, available-for-sale investments, investment properties and land.

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company, rounded to the nearest thousands, except when otherwise stated.

2.2 New standards, interpretations and amendments effective from 1 January 2016

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2016 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 New standards and interpretations not yet adopted

The following IFRS and Interpretations have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 9 Financial Instruments

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with an option to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The new standard introduces an 'expected credit loss' model for the measurement of the impairment of financial assets. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and is effective for annual periods beginning on or after 1 January 2018 with an option to early adopt. IFRS 15 specifies how and when an entity will recognize revenue as well as requires the entity to provide users of financial statements with more informative, relevant disclosures. The Standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The standard is not expected to have any impact on the financial position or performance of the Group.

IFRS 16 – Leases

IFRS 16 was issued by IASB on 13 January 2016 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 supersedes IAS 17: Leases along with related IFRIC 4, SIC-15 and SIC-27 from the effective date. This new standard would establish principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The Forum is in the process of evaluating their effect and do not expect any significant impact on adoption of this Standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of other new or amended Standards is not expected to have any material effect on the financial position or financial performance of the Forum. Additional disclosures will be made in the financial statements when these Standards become effective.

2.4 Basis of consolidation

The consolidated financial statements comprise the Parent Company and its subsidiaries (collectively "the Group") as set out in note 7.

- The Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated statement of profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Interests in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest. Non-controlling interest in the acquiree is measured at the proportionate share of the recognized amount of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on disposals of non-controlling interests without loss of control are recorded in equity.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Parent Company.

Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.5 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of due to banks.

2.6 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally cash and bank balances, other receivables, instalment debtors, financial assets at fair value through profit or loss, available-for-sale investments, due to banks, trade creditors and accrued liabilities and term loans. In accordance with IAS 39, the Group classifies its financial instruments as "financial assets at fair value through profit or loss", "loans and receivables", "assets-available-for sale" or "financial liability other than at fair value through profit or loss". Management determines the appropriate classification of each instrument at the time of acquisition.

Recognition and de-recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognised using settlement date accounting i.e. the date that the Group receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of profit or loss, or in consolidated statement of profit or loss and other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset is de-recognised (in whole or in part) where:

- the contractual rights to receive cash flows from the assets have expired, or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Measurement

All financial assets and liabilities are initially measured at fair value of the consideration given plus transaction costs except that for financial assets classified as financial assets at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised in the consolidated statement of profit or loss.

On subsequent measurement, financial assets classified as "financial assets at fair value through profit or loss" are measured and carried at fair value. Realised and unrealised gains/ losses arising from changes in fair value are included in the consolidated statement of profit or loss. "Loans and receivables" are carried at amortised cost using the effective yield method, less any provision for impairment. Those classified as "available for sale investments" are subsequently measured at fair value until the investment is sold or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of profit or loss for the year.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only if it is so permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method, less any provision for impairment.

Cash and cash equivalents, Other receivables and Instalment debtors are classified as "loans and receivables".

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets at fair value through profit or loss

Financial assets classified as “at fair value through profit or loss” are divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Derivatives are classified as “held for trading” unless they are designated as hedges and are effective hedging instruments.

Available-for-sale investments

Available-for-sale investments are non-derivative investments that are not designated in any another category of financial assets. After initial recognition, investments which are classified as available-for-sale are measured at fair value or at cost if fair value cannot be reliably measured. Gains and losses arising from subsequent changes in fair value other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in profit or loss and other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in profit and loss and other comprehensive income is included in the consolidated statement of profit or loss for the year.

Financial liabilities other than at fair value through profit or loss

Financial liabilities “other than at fair value through profit or loss” are measured at amortised cost using the effective interest rate method.

2.7 Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting right.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The Group recognises in the consolidated statement of profit or loss its share of the total recognised profit or loss of the associate from the date that influence effectively commences until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investments. Adjustments to the carrying amount may also be necessary for changes in Group’s share in the associate arising from changes in the associate’s equity and other comprehensive income. The Group’s share of those changes is recognised directly in equity or in other comprehensive income as appropriate.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets and liabilities of the associate at the date of acquisition is recognized as goodwill within the carrying amount of the associate.

Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of profit or loss.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group’s interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

An investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

2.9 Property and equipment

Property and equipment (except land) are carried at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment (except land) are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Building	20
Furniture, equipment and others	3-5
Motor vehicles	4

Depreciation commences when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with effect of any changes in estimate accounted for on prospective basis.

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Land is stated at revalued amount as determined by independent valuations undertaken every year. Any revaluation increase arising on the revaluation of land is credited to the land revaluation reserve, except to the extent that it reverses a revaluation decrease for the land previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land is charged as an expense to the extent that it exceeds the balance, if any, held in the land revaluation reserve relating to a previous revaluation of the land. The land revaluation reserve will be directly transferred to retained earnings when asset is disposed.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.11 Post-employment benefits

The Group provides post-employment benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to a government scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.12 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the cost of the shares reacquired is charged to equity. When the treasury shares are reissued, gains are credited to a separate account in equity (gain on sale of treasury shares), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.13 Accounting for leases

Where the Company is the lessee

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and.

Level 3 - inputs are unobservable inputs for the asset or liability.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Fair values (Continued)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.15 Impairment

2.15.1. Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, any impairment loss is recognised in the consolidated statement of profit or loss.

Financial assets measured at amortised cost

The amount of impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective yield. Losses are recognised in the consolidated statement of profit or loss and reflected in an allowance account against instalment debtors. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of profit or loss.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for the cash facilities and 0.5% for the non-cash facilities, net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provisions is made.

Available-for-sale investments

In the case of available-for-sale investments, a significant or prolonged decline in the fair value of investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of income, is recognised in the consolidated statement of profit or loss. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in consolidated statement of profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15.2. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market rates and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount and is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 Revenue recognition

Interest income from instalment credit

Interest rate from instalment credit is included at the outset in the lending agreement with the customer. The customer repays the debt in equal instalments over the period of the agreement. Interest income from instalment credit is recognised over the period of the agreement using the effective interest method. Fees which are considered an integral part of the effective yield of a financial asset are recognised using effective yield method. Once an instalment credit has been written down as a result of an impairment loss, the related interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Commission income

Commission income is recognised equally over the period of the contract to which the commission relates. Income relating to future periods is treated as deferred income and is included in the consolidated statement of financial position as a deduction from the gross value of the instalment debtors. Fee income earned from services provided over a period of time is recognised over the period of service.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (Continued)

Dividend income

Dividend income is recognised when the right to receive payment is established.

Other interest income

Other interest income is recognized on effective yield basis. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows and on the amount net of impairment for the purpose of measuring the impairment loss.

2.17 Foreign currencies

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Any resultant gains or losses are taken to the consolidated statement of profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the year, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in the consolidated statement of profit or loss and other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in the consolidated statement of profit or loss and other comprehensive income.

2.18 Contingent liabilities and contingent assets

Contingent assets are not recognised as an asset till realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

2.19 Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

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3. CASH AND BANK BALANCES

	2016	2015
	KD'000	KD'000
Cash on hand	2	3
Bank balances	4,973	4,558
Term deposits	34,456	25,806
Cash and bank balances	39,431	30,367
Less: Deposits with original maturity over three months	(20,456)	(13,806)
Less: Due to banks (bank overdrafts)	-	(556)
Cash and cash equivalents as per consolidated statement of cash flows	18,975	16,005

The Group's deposits with local banks denominated in KD amount to KD 17,000 thousand (2015: KD 12,000 thousand) and those denominated in USD and Lebanese Pound with foreign banks based in the Middle East amount to KD 17,456 thousand equivalent (2015: KD 13,806 thousand equivalent).These deposits yield interest ranging from 1.13% to 6.45% (2015: 1.14% to 5.92%) per annum.

4. INSTALMENT DEBTORS

	2016	2015
	KD'000	KD'000
Commercial loans	16,914	17,650
Personal loans	288,652	282,002
	305,566	299,652
Less: deferred income	(26,118)	(25,667)
	279,448	273,985
Less: provision for credit losses – specific	(20,622)	(17,905)
– general	(2,499)	(2,459)
	256,327	253,621

At 31 December 2016, bad instalment debtors amounted to KD 16,409 thousand (2015: KD 13,803 thousand), which are fully provided.

Movement in the provision for credit loss is as follows:

	2016			2015		
	Specifc	General	Total	Specific	General	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 1 January	17,905	2,459	20,364	16,144	2,278	18,422
Written off	(6)	-	(6)	(24)	-	(24)
Charged to consolidated statement of profit or loss	2,723	40	2,763	1,785	181	1,966
Balance at 31 December	20,622	2,499	23,121	17,905	2,459	20,364

Provision for general credit losses are made in accordance with CBK regulations (See note 2).

4. INSTALMENT DEBTORS (CONTINUED)

The instalment debtors are entirely in the State of Kuwait. Repayments due from instalment debtors are as follows:

	2016	2015
	KD'000	KD'000
Due within one year	125,237	120,972
Due after one year	180,328	178,680
	305,565	299,652

The average interest rate on instalment debtors for the year 31 December 2016 is 4.24% (2015: 4.16%) per annum.

The Group has pledged customer contracts with a carrying amount of KD 222,157 thousand (2015: KD 181,075 thousand) as collaterals against borrowings (See note 11).

5. INVESTMENT SECURITIES

Financial assets at fair value through profit or loss ("FVTPL")

	2016	2015
	KD'000	KD'000
Opening cost at 1 January	9,186	9,186
Unrealised losses	(1,054)	(220)
Opening fair value	8,132	8,966
Purchases	179	-
Sales	(685)	-
Realised gains on sales	97	-
Changes in fair value through the consolidated statement of profit or loss	(571)	(834)
Closing fair value at 31 December	7,152	8,132

All financial assets at FVTPL are located in the State of Kuwait.

At 31 December 2016 and 2015, the entire amount of financial assets at FVTPL represent held for trading investments.

Available-for-sale investments

	2016	2015
	KD'000	KD'000
Opening cost at 1 January	19,839	13,465
Unrealised gains at 1 January	2,923	2,317
Opening fair value at 1 January	22,762	15,782
Unrealised exchange gains	(4)	376
Purchases	5,364	6,565
Sales - proceeds	(630)	(439)
- realised gain on sales	171	87
Impairment losses	(274)	(216)
Changes in fair value	610	607
Closing fair value at 31 December	27,999	22,762
Investments carried at fair value	27,087	15,727
Investments carried at cost	912	7,035
	27,999	22,762

The geographical concentration of investments classified as available-for-sale at the reporting date are as follows:

	2016	2015
	KD'000	KD'000
Outside Kuwait	18,585	14,577
Kuwait	9,414	8,185
	27,999	22,762

It was not possible to reliably measure the fair value of certain available-for-sale investments due to lack of reliable measures to determine the fair value of such investments. Accordingly they are stated at cost less impairment losses, if any.

Impairment losses recognised directly in the consolidated statement of profit or loss include KD 274 thousand (2015: KD 216 thousand) which relates to available-for-sale investments stated at cost.

Net (losses)/ gains from investments

	2016	2015
	KD'000	KD'000
Realised gain on sale of available-for-sale investments	171	87
Realised gain on sale of financial assets at fair value through profit or loss	97	-
Decrease in fair value of financial assets at fair value through profit or loss	(571)	(834)
	(303)	(747)

6. INVESTMENTS IN ASSOCIATES

Details of the investment in associated companies at 31 December are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest 2016	Proportion of ownership interest 2015	Principal activity
Real Estate Facilities Investment Company K.S.C. (Closed)	Kuwait	26.43%	26.43%	Real Estate Investment
Priority Automobile Company K.S.C. (Closed)	Kuwait	44.56%	44.56%	Renting and leasing of luxury cars

6. INVESTMENTS IN ASSOCIATES (CONTINUED)

The summarised financial information of the Group's associates is set out below:

	2016	2015
	KD'000	KD'000
Total current assets	5,648	6,456
Total non-current assets	46,891	43,398
Total assets	52,539	49,854
Total current liabilities	(1,229)	(1,275)
Total non-current liabilities	(11,967)	(9,576)
Total liabilities	(13,196)	(10,851)
Net assets	39,343	39,003
Group's share of associates' net assets	13,030	12,919
Revenues	9,715	11,598
Profit for the period	1,815	2,452
Group's share of results of associates	576	754

Summarised financial information in respect of each of the Group's associates is set out below:

	2016		2015	
	Real Estate Facilities Investment Company K.S.C. (Closed)	Priority Automobile Company K.S.C. (Closed)	Real Estate Facilities Investment Company K.S.C. (Closed)	Priority Automobile Company K.S.C. (Closed)
	KD'000	KD'000	KD'000	KD'000
Current assets	1,006	4,642	4,214	2,242
Non-current assets	30,542	16,349	27,192	16,206
Total assets	31,548	20,991	31,406	18,448
Current liabilities	(524)	(705)	(502)	(773)
Non-current liabilities	(36)	(11,931)	(26)	(9,550)
Total liabilities	(560)	(12,636)	(528)	(10,323)
Net assets	30,988	8,355	30,878	8,125
Group's share of associates' net assets	8,468	4,562	8,459	4,460
Revenues	1,711	8,004	2,265	9,333
Profit for the period	1,286	529	1,844	608
Group's share of results of associates	340	236	483	271

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7. SUBSIDIARIES

The subsidiaries of the Group as at 31 December are as follows:

Name of subsidiary	% of ownership and voting power 2016	2015	Country of incorporation	Principal activity
First Real Estate Facilities Company W.L.L.	99%	99%	Kuwait	Real Estate
Tas-hilat Rating and Collection Company K.S.C. (Closed)	97%	97%	Kuwait	Collection
Farwa Real-Estate Company	98%	-	Kuwait	Real Estate

8. INVESTMENT PROPERTIES

The movement in the investment properties is as follows:

	2016 KD'000	2015 KD'000
Balance at the beginning of the year	1,739	1,952
Purchase of investment property	2,607	1,739
Sales - proceeds	-	(2,020)
- realised gain on sales	-	68
Change in fair value of investment properties	(146)	-
Balance at the ending of the year	4,200	1,739

The fair value of the Group's investment properties has been arrived at on the basis of valuations carried out on the respective dates by independent appraisers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach. In estimating the fair values of the properties, the highest and the best use of the property is its current use. The Group's investment properties is included in Level 3 of fair value hierarchy as at 31 December 2016 and 31 December 2015 and is located in Saudi Arabia and Kuwait.

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9. PROPERTY AND EQUIPMENT

	Land at fair value	Building	Furniture, Equipment and Others	Motor vehicles	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
Cost or fair value					
Balance at 31 December 2014	1,989	499	2,461	4	4,953
Additions	-	-	70	5	75
Revaluation	195	-	-	-	195
Balance at 31 December 2015	2,184	499	2,531	9	5,223
Additions	-	-	46	-	46
Disposals	-	-	(1)	-	(1)
Revaluation	(47)	-	-	-	(47)
Balance at 31 December 2016	2,137	499	2,576	9	5,221
Accumulated depreciation					
Balance at 31 December 2014	-	499	2,272	3	2,774
Charge for the year	-	-	156	-	156
Balance at 31 December 2015	-	499	2,428	3	2,930
Charge for the year	-	-	48	-	48
Balance at 31 December 2016	-	499	2,476	3	2,978
Carrying amount					
As at 31 December 2016	2,137	-	100	6	2,243
As at 31 December 2015	2,184	-	103	6	2,293

The fair value of the Group's land has been arrived at on the basis of valuations carried out yearly by independent appraisers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach. In estimating the fair values of the land, the highest and the best use of the land is its current use. There has been no change to the valuation techniques during the year. The Group's land is included in Level 3 of fair value hierarchy as at 31 December 2016 and 31 December 2015.

10. TRADE CREDITORS AND ACCRUED LIABILITIES

	2016	2015
	KD'000	KD'000
Trade creditors	1,537	2,123
KFAS payable	86	91
National Labour Support Tax payable	195	243
Zakat payable	88	92
Other accrued liabilities	3,549	3,924
	5,455	6,473

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11. TERM LOANS

	2016	2015
	KD'000	KD'000
Loans denominated in KD	135,708	99,008
Loans denominated in USD	38,645	54,803
	174,353	153,811

The repayment of term loans are due as follows:	2016	2015
	KD'000	KD'000
Due within one year	77,469	66,157
Due after one year	96,884	87,654
	174,353	153,811

During the year, the Group obtained new KD loans amounting to KD 67 million (2015: KD 58 million) and USD loan amounting to USD 50 million (2015: USD 180 million).

The weighted average interest rate on KD loans outstanding at 31 December 2016 was 3.47% per annum and on USD loans was 2.42% per annum (31 December 2015: 3.05% per annum and 2% per annum).

The Group's outstanding term loans at 31 December 2016 are borrowed under floating rate agreements. The Group has pledged customer contracts amounting to KD 222,157 thousand (2015: KD 181,075 thousand) as security over 16 term loans (2015: 14 term loans) with balances outstanding of KD 159,022 thousand (2015: KD 138,612 thousand).

12. SHARE CAPITAL

Share capital comprises of 536,763,720 authorised and issued shares of 100 fils (2015: 536,763,720 authorised and issued shares of 100 fils) each fully paid in cash.

13. LEGAL RESERVE

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

14. VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST Zakat and Directors' remuneration is required to be transferred to the voluntary reserve until the shareholders decide to discontinue the transfer. There are no restrictions on distributions from the voluntary reserve. The shareholders' annual general assembly held on 22 April 2014 approved to discontinue any further transfers to the voluntary reserve from 2014.

15. TREASURY SHARES

	2016	2015
Number of shares purchased (000's)	1,824	4,399
Cost of shares purchased (KD'000)	305	958
Number of shares sold (000's)	150	-
Market value of total treasury shares (KD'000)	4,387	4,505
Percentage of issued shares	5.31%	5.00%
Total number of shares (000's)	28,487	26,813

The Parent Company's retained earnings, equivalent to the cost of treasury shares on the date of the consolidated financial statements, are not available for distribution as long as these treasury shares are held by the Parent Company. The treasury shares are not mortgaged.

16. CONTRIBUTION TO KFAS

This represents contribution to the Kuwait Foundation for the Advancement of Science ("KFAS") computed at 1% of profit for the year after transfer to statutory reserve.

17. NLST AND ZAKAT

This represents provision for National Labour Support Tax ("NLST") is computed at 2.5% of profit for the year after transfer to statutory reserve.

Zakat represents tax payable to Kuwait's Ministry of Finance under Zakat Law No.46 of 2006.

18. ANNUAL GENERAL ASSEMBLY, PROPOSED DIVIDENDS AND DIRECTORS' REMUNERATION

a) The shareholders' annual general assembly held on 27 April 2016 approved the audited consolidated financial statements of the Group for the year ended 31 December 2015.

b) Subject to the requisite consent and approval of the annual general assembly, the Board of Directors propose to:

i) Distribute a cash dividend of 16 fils per share (2015: 17 fils per share) of the paid-up capital at 31 December 2016 to the shareholders on record at the date of the general assembly amounting to KD 8,132 thousand (2015: KD 8,669 thousand).

ii) Pay directors non-executive remuneration of KD 105 thousand (2015: KD 105 thousand). This is within the maximum amount provided for by the Companies Law No. 1 of 2016.

19. EARNINGS PER SHARE

Earnings per share is computed by dividing profit for the year by the weighted average number of shares outstanding during the year as follows:

	2016	2015
	KD'000	KD'000
Profit for the year	8,087	8,573
	Shares	
Weighted average number of the Parent Company's issued and paid-up shares (000's)	536,764	536,764
Weighted average number of the Parent Company's treasury shares (000's)	(27,221)	(24,666)
Weighted average number of the Parent Company's outstanding shares (000's)	509,543	512,098
Earnings per share	16 Fils	17 Fils

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20. RELATED PARTY TRANSACTIONS

Related parties comprise associated companies, major shareholders, directors and key management personnel of the Group, their families and companies of which they are the principal owners. The Group enters into transactions with related parties. Pricing policies and terms are approved by the Group's management.

The related party transactions and balances included in these consolidated financial statements are as follows:

a) Compensation of key management personnel of the Parent Company

The remuneration of directors and other members of key management during the year exclusive of remuneration to the directors referred to in note 18 was as follows:

	2016	2015
	KD'000	KD'000
Salaries and other short-term benefits	407	399
Post-employment benefits	54	158
	461	557

b) Instalment debtors

	2016	2015
	KD'000	KD'000
Balance at 1 January	51	15
Loans advanced	-	62
Instalment repayments	(12)	(26)
Balance at 31 December	39	51

21. COMMITMENTS

	2016	2015
	KD'000	KD'000
Capital commitments	45	1,139

22. REVENUE AND SEGMENTAL ANALYSIS

In accordance with IFRS 8, operating segments are identified based on internal management reporting information that is regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance and is reconciled to Group profit or loss.

The Group operates in one principal area of activity, the granting of credit facilities. Its consumer credit operations are carried out entirely in the domestic market in Kuwait. The Group has investments both inside and outside the State of Kuwait.

The measurement policies that the Group uses for segment reporting under IFRS 8 are the same as those used in its annual audited consolidated financial statements.

22. REVENUE AND SEGMENTAL ANALYSIS (CONTINUED)

A segmental analysis of profit from ordinary activities, total assets, total liabilities and net assets employed by geographical location is as follows:

	Kuwait	International	Total
	KD'000	KD'000	KD'000
At 31 December 2016			
Total income	19,427	1,129	20,556
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration	7,421	1,129	8,550
Total assets	313,623	38,410	352,033
Total liabilities	(145,390)	(38,645)	(184,035)
Net assets employed	168,233	(235)	167,998
Other information			
Decrease in fair value of financial assets at FVTPL	(571)		(571)
Share of results of associates	576	-	576
Provision for doubtful debts, net of released amount	(2,763)	-	(2,763)
Provision for end of service indemnity	(118)	-	(118)
Depreciation	(48)	-	(48)

	Kuwait	International	Total
	KD'000	KD'000	KD'000
At 31 December 2015			
Total income	19,042	902	19,944
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration	8,158	902	9,060
Total assets	302,961	30,251	333,212
Total liabilities	(110,182)	(54,803)	(164,985)
Net assets employed	192,779	(24,552)	168,227
Other information			
Decrease in fair value of financial assets at FVTPL	(834)	-	(834)
Share of results of associates	754	-	754
Reversal of provision for doubtful debts, net of released amount	(1,966)	-	(1,966)
Provision for end of service indemnity	(343)	-	(343)
Depreciation	(156)	-	(156)

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23. FINANCIAL RISK MANAGEMENT

The Group's financial assets have been categorized as follows :

	Loans and receivables	FVTPL	Available -for-sale
	KD'000	KD'000	KD'000
31 December 2016			
Cash and bank balances	39,429	-	-
Other receivables	1,442	-	-
Instalment debtors	256,327	-	-
Financial assets at fair value through profit or loss	-	7,152	-
Available-for-sale investments	-	-	27,999
	297,198	7,152	27,999

	Loans and receivables	FVTPL	Available -for-sale
31 December 2015	KD'000	KD'000	KD'000
Cash and bank balances	30,364	-	-
Other receivables	1,158	-	-
Instalment debtors	253,621	-	-
Financial assets at fair value through profit or loss	-	8,132	-
Available-for-sale investments	-	-	22,762
	285,143	8,132	22,762

All financial liabilities are categorized as 'other than at fair value through profit or loss'.

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group's Board of Directors oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The significant risks that the Group is exposed to are discussed below :

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises of three types of risks: currency risk, interest rate risk and equity price risk. As part of its overall risk management, the Group uses forward foreign exchange contracts to manage market risks.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Currency risk

Currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as deposits, available-for-sale investments, investment properties and term loans. The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar, Bahraini Dinar and Saudi Riyal.

The analysis below shows the effect of a 1% strengthening in the foreign currency rates against KD, with all other variables held constant on the profit for the year. A positive amount in the table reflects a net potential increase in the profit for the year, while a negative amount reflects a net potential decrease.

There have been no changes in the method and the assumptions used in the preparation of the sensitivity analysis as compared to the prior year.

	2016	2015
	KD'000	KD'000
US Dollar	(93)	(327)
Bahraini Dinar	47	47
Saudi Riyal	19	17
Others	21	13

A 1% weakening of the above currencies against the KD would have had an equal, but opposite, effect of the amounts shown above, with all other variables held constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from term deposits, bank overdrafts and term loans. Bank overdrafts and term loans taken at variable rates and term deposits placed at variable rates expose the Company to cash flow interest rate risk.

The Group manages interest rate risk by borrowing funds at market linked floating interest rates and placing term deposits at the best available rates.

At 31 December 2016,, if interest rates at that date had been 25 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by KD 350 thousand (2015: KD 320 thousand).

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23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Group manages the risk through diversification of investments in terms of geographic distribution and industry concentration. The effect on profit (as a result of a change in the fair value of equity instruments held as at fair value through profit or loss) at the year end due to an assumed 5% change in market indices, with all other variables held constant, is as follows:

	2016	2015
	Effect on profit	Effect on profit
	KD'000	KD'000
Kuwait Stock Exchange	± 341	± 188

(b) Credit risk

Credit risk is the risk that counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk arises in the Group's normal course of business.

All policies relating to credit are reviewed and approved by the management.

Credit limits are established for all customers after a careful assessment of their creditworthiness. Standing procedures require that all credit proposals be subjected to detailed screening by the relevant division prior to approval. In accordance with the instructions of the Central Bank of Kuwait setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee comprising of competent professional staff and having as its purpose the study and evaluation of the existing credit facilities of each customer of the Group.

This committee is required to identify any abnormal situations and difficulties associated with a customer's position which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level. The committee, which meets regularly throughout the year, also studies the positions of these customers, in order to determine whether further provisions are required.

All credit facilities are continuously monitored based on periodical review of the credit performance and account rating.

(i) Maximum exposure to credit risk

An analysis of the Group's financial assets before taking into account other credit enhancements, is as follows:

	Net exposure	
	2016	2015
	KD'000	KD'000
Cash and bank balances (excluding cash on hand)	39,429	30,364
Other receivables	1,442	1,158
Instalment debtors	256,327	253,621
Available-for-sale investments	7,748	5,700
	304,946	290,843

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk concentration of the maximum exposure to credit risk

Concentrations of credit risk arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions.

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty. This risk is managed by diversification of the portfolio.

The Group's financial assets can be analysed by the following geographic regions:

At 31 December 2016

	Middle East and North Africa	North America	Europe	Asia	Total
Geographic region	KD'000	KD'000	KD'000	KD'000	KD'000
Cash and bank balances (excluding cash on hand)	39,429	-	-	-	39,429
Other receivables	1,442	-	-	-	1,442
Instalment debtors	256,327	-	-	-	256,327
Available-for-sale investments	7,748	-	-	-	7,748
	304,946	-			304,946

At 31 December 2015

	Middle East and North Africa	North America	Europe	Asia	Total
Geographic region	KD'000	KD'000	KD'000	KD'000	KD'000
Cash and bank balances (excluding cash on hand)	30,364	-	-	-	30,364
Other receivables	1,158	-	-	-	1,158
Instalment debtors	253,621	-	-	-	253,621
Available-for-sale investments	5,700	-	-	-	5,700
	290,843	-	-	-	290,843

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23. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group does not obtain any collateral on its financial assets other than personal guarantees. The Group's concentration on financial assets can be analysed by the following industry sectors:

	2016	2015
	KD'000	KD'000
Industry sector		
Banks and other financial institutions	46,477	35,364
Retail	256,327	253,621
Others	2,142	1,858
	304,946	290,843

(iii) Credit quality per class of financial assets

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as 'High' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as 'Standard' quality comprise all other facilities which payment performance is fully compliant with contractual conditions and which are not 'Impaired'. The ultimate risk of possible financial loss on 'Standard' quality is assessed to be higher than that for the exposures classified within the 'High' quality range.

The table below shows the credit quality by class of asset for the consolidated statement of financial position lines, based on the Group's credit rating system.

	Neither past due nor impaired	Past due not impaired	
	High	Standard	Total
	KD'000	KD'000	KD'000
31 December 2016			
Cash and bank balances (excluding cash on hand)	39,429	-	39,429
Other receivables	1,442	-	1,442
Instalment debtors	225,190	31,137	256,327
Available-for-sale investments	7,748	-	7,748
	273,809	31,137	304,946

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Neither past due nor impaired	Past due not impaired	
	High	Standard	Total
	KD'000	KD'000	KD'000
31 December 2015			
Cash and bank balances (excluding cash on hand)	30,364	-	30,364
Other receivables	1,158	-	1,158
Instalment debtors	215,797	37,824	253,621
Available-for-sale investments	5,700	-	5,700
	253,019	37,824	290,843

(iv) Aging analysis of past due instalment debtors

	Retail	
	Past due and not impaired	Past due and impaired
	KD'000	KD'000
31 December 2016		
Up to 90 days past due	22,267	-
91-180 days past due	5,869	1,424
181 – 360 days past due	3,001	2,789
More than 360 days past due	-	16,409
	31,137	20,622

	Retail	
	Past due and not impaired	Past due and impaired
	KD'000	KD'000
31 December 2015		
Up to 90 days past due	27,586	-
91-180 days past due	7,908	1,925
181 – 360 days past due	2,330	2,176
More than 360 days past due	-	13,804
	37,824	17,905

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23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Undiscounted			
	Up to 3 months	3 to 12 months	1 to 5 years	Total
	KD'000	KD'000	KD'000	KD'000
31 December 2016				
Financial liabilities				
Trade creditors and accrued liabilities	5,097	358	-	5,455
Term loans	15,381	66,866	102,525	184,772
	20,478	67,224	102,525	190,227
Commitments				
Commitments for purchase of available-for-sale investments	45	-	-	45
31 December 2015				
Financial Liabilities				
Due to banks	556	-	-	556
Trade creditors and accrued liabilities	6,091	382	-	6,473
Term loans	12,629	57,199	92,347	162,175
	19,276	57,581	92,347	169,204
Commitments				
Commitments for purchase of available-for-sale investments	1,139	-	-	1,139

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by the compliance and risk management function, which ensures compliance with policies and procedures and monitors operational risk as part of overall risk management activities.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's financial assets are measured at fair value at the end of each reporting period. The following tables gives information about how the fair values of these financial assets are determined.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 : valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2016			
	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	7,152	-	-	7,152
Available-for-sale investments				
Debt securities	-	7,748	-	7,748
Managed funds	-	-	259	259
Equity participation	-	-	19,080	19,080
	7,152	7,748	19,339	34,239

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23. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2015			
	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	7,663	469	-	8,132
Available-for-sale investments				
Quoted debt	909	-	-	909
Managed funds	-	-	286	286
Equity participations	-	-	14,532	14,532
	8,572	469	14,818	23,859

Financial assets	Fair value as at 2016 KD'000	2015 KD'000	Fair value Hierarchy	Sector
Financial assets at fair value through profit or loss - Quoted securities	6,564	6,987	Level 1	Financial Institutions
	555	643	Level 1	Real estate
	33	33	Level 1	Retail
Available-for-sale investments – Quoted debts	-	909	Level 1	Financial Institutions
	7,152	8,572		
Financial assets at fair value through profit or loss - Unquoted funds	-	469	Level 2	Real estate
Available-for-sale investments – Unquoted debt	7,048	-	Level 2	Financial Institutions
	700	-	Level 2	Real estate
	7,748	469		
Available-for-sale investments - Unquoted funds	80	112	Level 3	Media & technology
	130	126	Level 3	Real estate
	49	48	Level 3	Retail
Available-for-sale investments - Unquoted securities	10,386	7,101	Level 3	Real estate
	6,472	6,096	Level 3	Financial Institutions
	2,059	1,315	Level 3	Service
	163	4	Level 3	Media & technology
	-	16	Level 3	Manufacturing
	19,339	14,818		
	34,239	23,859		

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

The most significant unobservable inputs used is the illiquidity discount in the level 3 hierarchy.

Movement in level 3 available-for-sale investments (Unquoted securities) is as follows:

	2016	2015
	KD'000	KD'000
Opening balance	14,818	13,112
Total gain or losses:		
- in profit or loss	284	(163)
- in other comprehensive income	334	929
Purchases/ transfers	4,422	1,345
Sales	(519)	(405)
Closing balance	19,339	14,818

The fair values of equity investments are obtained from quoted market prices and other models as appropriate.

Valuation techniques include observable market information of comparable companies and net asset values. Significant unobservable inputs used in valuation techniques mainly include market multiples such as price to book and price to earnings. The most significant unobservable inputs used is the illiquidity discount in the level 3 hierarchy.

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values.

A sensitivity analysis on fair value estimations, by varying input assumptions by a reasonable margin, did not indicate any material impact on the consolidated statement of financial position or consolidated statement of profit or loss.

24. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return on investment to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Parent Company is required to have a minimum paid up share capital of KD 15 million to be registered with CBK.

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from previous year.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (as shown in the consolidated statement of financial position) plus net debt.

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24. CAPITAL RISK MANAGEMENT (CONTINUED)

Gearing ratio

The gearing ratio at the year end was as follows:

	2016	2015
	KD'000	KD'000
Total Borrowings (i)	174,353	153,811
Less: Cash and cash equivalents	(18,975)	(16,005)
Net debts	155,378	137,806
Total Equity	167,998	168,227
Total Capital	323,376	306,033
Net debt to equity %	48%	45%

Debt include term loans as disclosed in note 11.

25. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements. Actual results could differ from these estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Judgements and estimates that are significant to the consolidated financial statements are shown below:

Judgements

Classification of investments

On acquisition of an investment, management has to decide whether it should be classified as "at fair value through profit or loss" or "available for sale". In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or directly in equity.

Impairment of investments

The Group treats investments as impaired when there has been a significant or prolonged decline in fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

25. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value hierarchy

As disclosed in note 23, the Group is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, such as such as pricing multiples available from comparable companies, forecast of cash flows and related discount rates, and estimated maintainable dividend, including consideration of factors specific to the asset or liability.

Key sources of estimation uncertainty

Impairment losses on other receivables and instalment debtors

The Group's management reviews periodically items classified as other receivables and instalment debtors to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

- *Valuation of unquoted equity investments*

  Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.