

**Commercial Facilities Company - S.A.K.P.  
and Subsidiaries  
State of Kuwait**



شركة التسهيلات التجارية ش.م.ك  
COMMERCIAL FACILITIES CO. s.a.k

**Interim Condensed Consolidated Financial  
Information and Independent Auditors' Review  
Report for the Period from  
1 January to 31 March 2016  
(Unaudited)**

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**Commercial Facilities Company – S.A.K.P.  
State of Kuwait**

**INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS**

**Report on Review of Interim Condensed Consolidated Financial Information**

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Facilities Company – S.A.K.P. ("the Parent Company") and subsidiaries (collectively "the Group") as at 31 March 2016, and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three-month period then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the three-month period then ended. The management of the Group is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in note 2.

*Report on Other Legal and Regulatory Requirements*

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Group. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of 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 during the three-month period ended 31 March 2016 that might have had a material effect on the business of the Group or on its financial position.




**Commercial Facilities Company – S.A.K.P.  
State of Kuwait**

**INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS (Continued)**

*Report on Other Legal and Regulatory Requirements (Continued)*

We further report that, during the course of our review, to the best of our knowledge and belief, 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 Markets Authority and its related regulations during the three-month period ended 31 March 2016 that might have had a material effect on the business of the Group or on its financial position.



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Kuwait  
18 May 2016

**Commercial Facilities Company - S.A.K.P. and Subsidiaries**  
**State of Kuwait**

Interim Condensed Consolidated Statement of Financial Position as at 31 March 2016  
(Unaudited)



		(Unaudited) 31 March 2016 KD'000	(Audited) 31 December 2015 KD'000	(Unaudited) 31 March 2015 KD'000
Notes				
<b>Assets</b>				
Cash and bank balances	3	31,504	30,367	21,835
Other receivables and prepayments		1,503	1,379	912
Instalment debtors	4	254,264	253,621	236,991
Financial assets at fair value through profit or loss		7,062	8,132	8,632
Available-for-sale investments	5	23,888	22,762	16,455
Investment in associates	6	13,077	12,919	12,834
Investment property		4,358	1,739	1,952
Property and equipment		2,268	2,293	2,152
<b>Total assets</b>		<b>337,924</b>	<b>333,212</b>	<b>301,763</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks	3	-	556	1,095
Trade creditors and other liabilities		5,941	6,473	6,456
Term loans	7	158,005	153,811	99,352
Bonds		-	-	18,750
Provision for staff indemnity		4,190	4,145	3,934
<b>Total liabilities</b>		<b>168,136</b>	<b>164,985</b>	<b>129,587</b>
<b>Equity</b>				
Share capital		53,676	53,676	53,676
Share premium		1,433	1,433	1,433
Legal reserve		46,566	46,566	45,660
Voluntary reserve		48,093	48,093	48,093
Fair value reserve		2,920	2,923	2,921
Foreign currency translation reserve		896	949	817
Land revaluation reserve		899	899	704
Treasury shares	9	(10,945)	(10,945)	(9,987)
Gain on sale of treasury shares		47	47	47
Retained earnings		17,534	24,586	18,525
Proposed dividend		8,669	-	10,287
<b>Total equity</b>		<b>169,788</b>	<b>168,227</b>	<b>172,176</b>
<b>Total liabilities and equity</b>		<b>337,924</b>	<b>333,212</b>	<b>301,763</b>

Ali Ibrahim Marafi  
Chairman



Abdallah Saud Abdulaziz Al-Humaidhi  
Vice Chairman and Chief Executive Officer

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

**Commercial Facilities Company - S.A.K.P. and Subsidiaries**  
**State of Kuwait**

Interim Condensed Consolidated Statement of Profit or Loss  
– period from 1 January to 31 March 2016 (Unaudited)



		Three-month period ended 31 March	
		2016	2015
		KD'000	KD'000
Income from instalment credit	Notes	4,284	4,050
Share of results of associates	6	159	139
Other income		651	604
Rental income from investment property		64	-
Net foreign exchange gains		207	-
<b>Total other income</b>		<b>1,081</b>	<b>743</b>
Borrowing costs		(1,099)	(905)
Staff costs and related expenses		(611)	(723)
General and administrative expenses		(165)	(381)
Net losses from investments	10	(678)	(321)
Net foreign exchange losses		-	(58)
<b>Total other expenses</b>		<b>(2,553)</b>	<b>(2,388)</b>
<b>Profit before provision for credit losses and impairment losses</b>		<b>2,812</b>	<b>2,405</b>
Provision for doubtful debts		(1,104)	(653)
Impairment losses on available-for-sale investments	5	-	(47)
<b>Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration</b>		<b>1,708</b>	<b>1,705</b>
Provision for KFAS		(17)	(17)
Provision for NLST and Zakat		(48)	(50)
Provision for Directors' remuneration		(26)	(32)
<b>Profit for the period</b>		<b>1,617</b>	<b>1,606</b>
<b>Earnings per share</b>	11	<b>3 Fils</b>	<b>3 Fils</b>

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.



**Commercial Facilities Company - S.A.K.P. and Subsidiaries**  
**State of Kuwait**

Interim Condensed Consolidated Statement of Profit or Loss and  
Other Comprehensive Income - period from 1 January to 31 March 2016 (Unaudited)



	Three-month period ended 31 March	
	2016	2015
	KD'000	KD'000
<b>Profit for the period</b>	<u>1,617</u>	<u>1,606</u>
<b>Other comprehensive income</b>		
Foreign exchange (losses)/ gains	(53)	236
Available-for-sale investments		
Change in fair value of available-for-sale investments	(3)	558
Impairment of available-for-sale investments transferred to the consolidated statement of profit or loss	-	47
<b>Other comprehensive income for the period</b>	<u>(56)</u>	<u>841</u>
<b>Total comprehensive income for the period</b>	<u><u>1,561</u></u>	<u><u>2,447</u></u>

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

**Commercial Facilities Company - S.A.K.P. and Subsidiaries**  
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**Interim Condensed Consolidated Statement of Changes in Equity - period from 1 January to 31 March 2016 (Unaudited)**

	Share capital	Share premium	Legal reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Land revaluation reserve	Treasury shares	Gain on sale of treasury shares	Retained earnings	Proposed dividend	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
<b>Balance at 1 January 2016</b>	53,676	1,433	46,566	48,093	2,923	949	899	(10,945)	47	24,586	-	168,227
Profit for the period	-	-	-	-	-	-	-	-	-	1,617	-	1,617
Foreign exchange losses	-	-	-	-	-	(53)	-	-	-	-	-	(53)
Available-for-sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale investments	-	-	-	-	(3)	-	-	-	-	-	-	(3)
Total comprehensive income for the period	-	-	-	-	(3)	(53)	-	-	-	1,617	-	1,561
Dividends (See note 14)	-	-	-	-	-	-	-	-	-	(8,669)	8,669	-
<b>Balance at 31 March 2016</b>	53,676	1,433	46,566	48,093	2,920	896	899	(10,945)	47	17,534	8,669	169,788
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
<b>Balance at 1 January 2015</b>	53,676	1,433	45,660	48,093	2,316	581	704	(9,987)	47	27,206	-	169,729
Profit for the period	-	-	-	-	-	-	-	-	-	1,606	-	1,606
Foreign exchange losses	-	-	-	-	-	236	-	-	-	-	-	236
Available-for-sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale investments	-	-	-	-	558	-	-	-	-	-	-	558
Impairment of available-for-sale investments transferred to consolidated statement of profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	47	-	-	-	-	-	-	47
Dividends (See note 14)	-	-	-	-	605	236	-	-	-	1,606	-	2,447
<b>Balance at 31 March 2015</b>	53,676	1,433	45,660	48,093	2,921	817	704	(9,987)	47	(10,287)	10,287	172,176
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000

The accompanying notes 1 to 16 form an integral part of this interim condensed consolidated financial information.



**Commercial Facilities Company - S.A.K.P. and Subsidiaries**  
**State of Kuwait**

Notes to the Interim Condensed Consolidated Financial Information  
- period from 1 January to 31 March 2016 (Unaudited)



**5. Available-for-sale investments**

	(Unaudited) 31 March 2016	(Audited) 31 December 2015	(Unaudited) 31 March 2015
	KD'000	KD'000	KD'000
Investments carried at fair value	16,359	15,727	14,436
Investments carried at cost	7,529	7,035	2,019
	<u>23,888</u>	<u>22,762</u>	<u>16,455</u>

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 in the consolidated statement of profit or loss amounted to KD Nil (31 December 2015: KD 216 thousand and 31 March 2015: KD 47 thousand).

**6. Investments in associates**

Investments in associated companies are as follows:

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

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

	2016	2015
	KD'000	KD'000
Total assets	50,263	48,626
Total liabilities	(10,791)	(10,265)
Net assets	<u>39,472</u>	<u>38,361</u>
Group's share of associates' net assets	<u>13,077</u>	<u>12,834</u>
Revenues	<u>2,299</u>	<u>3,447</u>
Profit for the period	<u>493</u>	<u>400</u>
Group's share of results of associates	<u>159</u>	<u>139</u>

**7. Term loans**

	(Unaudited) 31 March 2016	(Audited) 31 December 2015	(Unaudited) 31 March 2015
	KD'000	KD'000	KD'000
Loans denominated in KD	107,600	99,008	82,167
Loans denominated in USD	50,405	54,803	17,185
	<u>158,005</u>	<u>153,811</u>	<u>99,352</u>

**Commercial Facilities Company - S.A.K.P. and Subsidiaries**  
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During the period, the Group obtained KD loans amounting to KD 6 million (31 December 2015: KD 58 million and 31 March 2015: KD 10 million) and USD loans amounting to USD Nil (31 December 2015: USD 180 million and 31 March 2015: USD Nil).

The weighted average interest rate on KD loans outstanding at 31 March 2016 was 3.24% per annum and on USD loans was 2.2% per annum (31 December 2015: 3.05% per annum and 2% per annum respectively and for 31 March 2015: 3.1% per annum and 1.86% per annum respectively).

The Group's outstanding term loans at 31 March 2016 are borrowed under floating rate agreements. The interest rates were determined at normal commercial rates available from the debt market on an arm's length basis. The Group has assigned customer contracts amounting to KD142,888 thousand (31 December 2015: KD 181,075 thousand and 31 March 2015: KD 119,063 thousand) as security over 16 term loans (31 December 2015: 14 term loans and 31 March 2015: 14 term loans) with balances outstanding of KD 191,220 thousand (31 December 2015: KD 138,612 thousand and 31 March 2015: KD 90,345 thousand).

**8. 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 this interim condensed consolidated financial information are as follows:

**a) Compensation of key management personnel of the Parent Company**

	Three-month period ended 31 March	
	2016	2015
	KD'000	KD'000
Salaries and other short-term benefits	102	100
Post-employment benefits	(2)	104
	<u>100</u>	<u>204</u>

**b) Instalment debtors**

Balance at 1 January	51	15
Loan advance received	-	63
Instalment repayments received	(3)	(17)
Balance at 31 March	<u>48</u>	<u>61</u>

**9. Treasury shares**

	(Unaudited) 31 March 2016	(Audited) 31 December 2015	(Unaudited) 31 March 2015
Number of shares purchased (000's)	-	4,399	5,603
Cost of shares purchased during the period / year (KD'000)	-	958	-
Market value of total treasury shares (KD'000)	5,041	4,505	-
Percentage of issued shares	5.00%	5.00%	4.18%
Total number of shares (000's)	26,813	26,813	22,414



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- period from 1 January to 31 March 2016 (Unaudited)



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

**10. Net gains from investments**

	Three-month period ended 31 March	
	2016	2015
	KD'000	KD'000
(Decrease)/ increase in fair value of financial assets at fair value through profit or loss	(736)	(334)
Realised gain on sale of available-for-sale investments	148	13
Realised loss on sale of financial assets at fair value through profit or loss	(90)	-
	<u>(678)</u>	<u>(321)</u>

**11. Earnings per share**

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

	Three-month period ended 31 March	
	2016	2015
	KD'000	KD'000
Profit for the period	<u>1,617</u>	<u>1,606</u>
	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)	<u>(26,813)</u>	<u>(22,414)</u>
Weighted average number of the Parent Company's outstanding shares (000's)	<u>509,951</u>	<u>514,350</u>
Earnings per share	<u>3 Fils</u>	<u>3 Fils</u>

**12. Revenue and segmental analysis**

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

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
<b>At 31 March 2016 (Unaudited)</b>			
Profit before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration	<u>1,278</u>	<u>430</u>	<u>1,708</u>
Total assets	304,322	33,602	337,924
Total liabilities	<u>(113,333)</u>	<u>(54,803)</u>	<u>(168,136)</u>
Net assets employed	<u>190,989</u>	<u>(21,201)</u>	<u>(168,136)</u>



**Commercial Facilities Company - S.A.K.P. and Subsidiaries  
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**At 31 December 2015 (Audited)**

Profit before provisions for contribution to KFAS,  
NLST, Zakat and Directors' remuneration

8,158	902	9,060
302,961	30,251	333,212
(110,182)	(54,803)	(164,985)
192,779	(24,552)	168,227

**At 31 March 2015 (Unaudited)**

Profit before provisions for contribution to KFAS,  
NLST, Zakat and Directors' remuneration

<u>1,476</u>	<u>229</u>	<u>1,705</u>
272,135	29,628	301,763
<u>(112,402)</u>	<u>(17,185)</u>	<u>(129,587)</u>
<u>159,733</u>	<u>12,443</u>	<u>172,176</u>

**13. Commitments**

	(Unaudited) 31 March 2016 KD'000	(Audited) 31 December 2015 KD'000	(Unaudited) 31 March 2015 KD'000
Capital commitments	44	1,139	270

**14. Annual general assembly**

The shareholder's annual general assembly held on 27 April 2016 approved the audited consolidated financial statements of the Group for the year ended 31 December 2015 and the payment of cash dividend of 17 fils per share to the shareholders on record as of the date of the annual general assembly (2014: 20 fils per share) amounting to KD 8,669 thousand (2014: KD 10,287 thousand).

**15. Financial risk management**

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the annual audited consolidated financial statements for the year ended 31 December 2015.

**16. 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).

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31 March 2016 (Unaudited)	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss	6,637	425	-	7,062
<b>Available-for-sale investments</b>				
Quoted debts	904	-	-	904
Managed funds	-	-	289	289
Equity participations (unquoted securities)	-	-	15,166	15,166
	<u>7,541</u>	<u>425</u>	<u>15,455</u>	<u>23,421</u>

31 December 2015 (Audited)	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss	7,663	469	-	8,132
<b>Available-for-sale investments</b>				
Quoted debt	909	-	-	909
Managed funds	-	-	286	286
Equity participations (unquoted securities)	-	-	14,532	14,532
	<u>8,572</u>	<u>469</u>	<u>14,818</u>	<u>23,859</u>

31 March 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss	8,112	520	-	8,632
<b>Available-for-sale investments</b>				
Managed funds	-	209	-	209
Equity participations (unquoted securities)	-	-	14,227	14,227
	<u>8,112</u>	<u>729</u>	<u>14,227</u>	<u>23,068</u>

Financial assets	Fair value as at			Fair value Hierarchy	Sector
	31 March 2016	31 December 2015	31 March 2015		
	KD'000	KD'000	KD'000		
Financial assets at fair value through profit or loss - Quoted securities	6,122	6,987	7,418	Level 1	Financial Institutions
	482	643	643	Level 1	Real estate
	33	33	51	Level 1	Retail
Available for sale investments – Quoted debts	904	909	-	Level 1	Financial Institutions
	<u>7,541</u>	<u>8,572</u>	<u>8,112</u>		

Financial assets at fair value through profit or loss - Unquoted funds					
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**Commercial Facilities Company - S.A.K.P. and Subsidiaries**  
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Notes to the Interim Condensed Consolidated Financial Information  
- period from 1 January to 31 March 2016 (Unaudited)



Available for sale investments - Unquoted funds	113	112	130	Level 3	Media & technology
	126	126	80	Level 3	Real estate
	48	48	81	Level 3	Retail
Available for sale investments - Unquoted securities	7,711	7,101	6,722	Level 3	Real estate
	6,218	6,096	6,038	Level 3	Financial Institutions
	1,223	1,315	1,352	Level 3	Service
	16	16	22	Level 3	Manufacturing
	-	4	11	Level 3	Media & technology
	<u>15,455</u>	<u>14,818</u>	<u>14,436</u>		
	<u>23,421</u>	<u>23,859</u>	<u>23,068</u>		

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

	(Unaudited) 31 March 2016 KD'000	(Audited) 31 December 2015 KD'000	(Unaudited) 31 March 2015 KD'000
Opening balance	14,818	13,112	13,112
Total gain or losses:			
- in profit or loss	148	(163)	(34)
- in other comprehensive income	(64)	929	670
Purchases/ transfers	914	1,345	460
Sales	(361)	(405)	(110)
Closing balance	<u>15,455</u>	<u>14,818</u>	<u>14,436</u>

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.