

**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 30 September 2017
(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 30 September 2017, and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-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

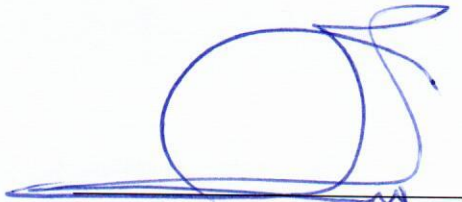
Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Group. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended during the nine-month period ended 30 September 2017 that might have had a material effect on the business of the Group or on its financial position.

**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 nine-month period ended 30 September 2017 that might have had a material effect on the business of the Group or on its financial position.



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29 October 2017

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

Interim Condensed Consolidated Statement of Financial Position as at 30 September 2017
(Unaudited)



		(Unaudited) 30 September 2017	(Audited) 31 December 2016	(Unaudited) 30 September 2016
	Notes	KD'000	KD'000	KD'000
Assets				
Cash and bank balances	3	27,491	39,431	35,596
Other receivables and prepayments		1,919	1,651	1,670
Instalment debtors	4	253,623	256,327	254,674
Financial assets at fair value through profit or loss		8,781	7,152	6,813
Available-for-sale investments	5	30,094	27,999	26,812
Investment in associates	6	12,949	13,030	12,854
Investment property		4,200	4,200	4,347
Property and equipment		2,117	2,243	2,216
Total assets		341,174	352,033	344,982
Liabilities and equity				
Liabilities				
Due to banks	3	701	-	1,210
Trade creditors and other liabilities		5,178	5,455	5,888
Term loans	7	164,258	174,353	168,834
Provision for staff indemnity		4,006	4,227	4,246
Total liabilities		174,143	184,035	180,178
Equity				
Share capital		53,676	53,676	53,676
Share premium		1,433	1,433	1,433
Legal reserve		47,421	47,421	46,566
Voluntary reserve		48,093	48,093	48,093
Fair value reserve		3,543	3,533	3,018
Foreign currency translation reserve		847	1,016	773
Land revaluation reserve		852	852	899
Treasury shares	9	(11,189)	(11,189)	(11,046)
Gain on sale of treasury shares		14	14	14
Retained earnings		22,319	23,149	21,378
Equity attributable to shareholders of the Parent Company		167,009	167,998	164,804
Non-controlling interests		22	-	-
Total equity		167,031	167,998	164,804
Total liabilities and equity		341,174	352,033	344,982

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 30 September 2017 (Unaudited)



	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2017 KD'000	2016 KD'000	2017 KD'000	2016 KD'000
Income from instalment credit		4,518	4,418	13,186	12,994
Share of results of associates	6	169	127	437	400
Other income		482	400	1,977	1,667
Rental income from investment property		75	59	213	198
Net gains from investments	10	1,141	109	1,812	-
Net foreign exchange gain/(loss)		68	-	286	251
Total other income		1,935	695	4,725	2,516
Borrowing costs		(1,471)	(1,247)	(4,347)	(3,498)
Staff costs and related expenses		(639)	(617)	(1,930)	(1,845)
General and administrative expenses		(288)	(168)	(875)	(500)
Net losses from investments	10	-	-	-	(1,082)
Total other expenses		(2,398)	(2,032)	(7,152)	(6,925)
Profit before provision for credit losses and impairment losses		4,055	3,081	10,759	8,585
Provision for doubtful debts		(941)	(579)	(3,052)	(2,725)
Impairment losses on available-for-sale investments	5	-	(36)	-	(80)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		3,114	2,466	7,707	5,780
Provision for KFAS		(31)	(25)	(77)	(58)
Provision for NLST and Zakat		(116)	(80)	(247)	(182)
Provision for Directors' remuneration		(26)	(26)	(79)	(79)
Profit for the period		2,941	2,335	7,304	5,461
Attributable to:					
Shareholders of the Parent Company		2,940	2,335	7,302	5,461
Non-controlling interests		1	-	2	-
		2,941	2,335	7,304	5,461
Earnings per share	11	6 Fils	5 Fils	14 Fils	11 Fils

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 30 September 2017 (Unaudited)



	Three-month period ended 30 September		Nine-month period ended 30 September	
	2017	2016	2017	2016
	KD'000	KD'000	KD'000	KD'000
Profit for the period	<u>2,941</u>	<u>2,335</u>	<u>7,304</u>	<u>5,461</u>
Other comprehensive income				
Foreign exchange gain/ (losses)	(29)	(39)	(169)	(176)
Available-for-sale investments				
Change in fair value of available-for-sale investments	(9)	(9)	10	15
Impairment of available-for-sale investments transferred to the consolidated statement of profit or loss	-	36	-	80
Other comprehensive income/ (loss) for the period	<u>(38)</u>	<u>(12)</u>	<u>(159)</u>	<u>(81)</u>
Total comprehensive income for the period	<u>2,903</u>	<u>2,323</u>	<u>7,145</u>	<u>5,380</u>
Total comprehensive income attributable to:				
Shareholders of the Parent Company	2,902	2,323	7,143	5,380
Non-controlling interests	1	-	2	-
	<u>2,903</u>	<u>2,323</u>	<u>7,145</u>	<u>5,380</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
State of Kuwait

Interim Condensed Consolidated Statement of Cash Flows
- period from 1 January to 30 September 2017 (Unaudited)



	Note	Nine-month period ended	
		30 September 2017	30 September 2016
		KD'000	KD'000
Operating activities			
Profit before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration		7,707	5,780
Adjustments for:			
Depreciation		130	94
(Increase)/decrease in fair value of financial assets at fair value through profit or loss		(1,905)	1,164
Gain on sale of available-for-sale investments		(58)	(171)
Impairment loss on available-for-sale investments		-	80
Realised loss on financial assets at fair value through profit or loss		151	89
Interest income		(741)	(593)
Dividend income		(1,203)	(1,011)
Share of results of associates		(437)	(400)
Provision for staff indemnity		126	134
Provision for doubtful debts, net of released amount		3,052	2,725
Foreign currency exchange gain on investments		-	20
		6,822	7,911
Increase in instalment debtors		(348)	(3,778)
Increase in other receivables and prepayments		(249)	(291)
Decrease in trade creditors and accrued liabilities		(679)	(1,036)
Cash from operations		5,546	2,806
Staff indemnity paid		(347)	(33)
Interest received		741	593
Dividends received		1,203	1,011
Net cash from operating activities		7,143	4,377
Investing activities			
Decrease/increase in deposits		2,544	(325)
Dividends from associate		518	465
Purchase of available-for-sale investments		(2,959)	(4,583)
Purchase of investment property		-	(2,608)
Purchase of property and equipment		(4)	(17)
Purchase of financial assets at fair value through profit and loss		(276)	(179)
Proceeds from sale of financial assets at fair value through profit or loss		401	245
Proceeds from sale of available-for-sale investments		763	523
Net cash from/(used) in investing activities		987	(6,479)
Financing activities			
Proceeds of term loans		(10,095)	15,023
Dividends paid		(8,132)	(8,537)
Purchase of treasury shares		-	(162)
Sale of treasury shares		-	28
Net cash (used in)/from financing activities		(18,227)	6,352
Net (decrease)/ increase in cash and cash equivalents		(10,097)	4,250
Cash and cash equivalents at beginning of the period		18,975	16,005
Cash and cash equivalents at end of the period	3	8,878	20,255

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

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 Parent Company's shares were listed on the Kuwait Stock Exchange on 29 September 1984.

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

- Providing short and medium term loans to individuals and entities with the aim of financing purchase of vehicles, equipment and home appliances.
- Financing consumer products of raw materials, manufactured or semi-manufactured.
- Providing short, medium and long term loans to individuals to finance the purchase of land and properties.
- Providing operating or financing lease for vehicles and equipment.
- Providing necessary guarantees related to the Parent Company objectives.
- 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.
- Investing in real estate, industrial, agricultural and other economic sectors through participation in the establishment of specialised companies or the purchase of their shares.
- 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.
- Acting as intermediary in managing loans and syndicated loans on commission basis.
- Managing investment portfolios on behalf others 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. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 29 October 2017.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting.

This interim condensed consolidated financial information does not include all the information and notes required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as modified for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK requirements for a minimum general provision.

The interim condensed consolidated financial information has been prepared using the same accounting policies and methods of computation as those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2016 except for applicable changes in IFRS from 1 January 2017. Such changes did not result in any material impact on the accounting policies, financial position or performance of the Group.

In the opinion of management, all adjustment consisting of normal recurring accruals considered necessary for a fair presentation have been included. The operating results for the nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

2.2 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2016.

3. Cash and bank balances

	(Unaudited) 30 September 2017	(Audited) 31 December 2016	(Unaudited) 30 September 2016
	KD'000	KD'000	KD'000
Cash on hand	3	2	8
Bank balances	9,576	4,973	4,457
Deposits	17,912	34,456	31,131
	27,491	39,431	35,596
Less: Deposits with original maturity over three months	(17,912)	(20,456)	(14,131)
Less: Due to banks (Bank overdrafts)	(701)	-	(1,210)
Cash and cash equivalents as per consolidated statement of cash flows	8,878	18,975	20,255

The Group's deposits with local and foreign banks, denominated in KD, amount to KD Nil (31 December 2016: KD 17,000 thousand and 30 September 2016: KD 17,000 thousand) and those denominated in USD and LBP with foreign banks based in the Middle East amount to KD 17,912 thousand (31 December 2016: KD 17,456 thousand and 30 September 2016: KD 14,131 thousand). These deposits yield interest ranging from 4.50% to 6.45% (31 December 2016: 1.13% to 6.45% and 30 September 2016: 1.25% to 6.45% per annum).

4. Instalment debtors

The average interest rate earned from instalment credit for the nine-month period ended 30 September 2017 was 4.34% per annum (31 December 2016: 4.24% and 30 September 2016: 4.188% per annum).

5. Available-for-sale investments

	(Unaudited) 30 September 2017	(Audited) 31 December 2016	(Unaudited) 30 September 2016
	KD'000	KD'000	KD'000
Investments carried at fair value	29,765	27,087	25,250
Investments carried at cost	329	912	1,562
	30,094	27,999	26,812

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 30 September		Nine-month period ended 30 September	
	2017	2016	2017	2016
	KD'000	KD'000	KD'000	KD'000
Salaries and other short-term benefits	103	102	309	305
Post-employment benefits	19	19	48	35
	<u>122</u>	<u>121</u>	<u>357</u>	<u>340</u>

b) Instalment debtors

Balance at 1 January	39	51
Loan advance received	32	-
Instalment repayments received	(27)	(9)
Balance at 30 September	<u>44</u>	<u>42</u>

9. Treasury shares

	(Unaudited) 30 September 2017	(Audited) 31 December 2016	(Unaudited) 30 September 2016
Number of shares purchased (000's)	-	1,824	916
Cost of shares purchased during the period / year (KD'000)	-	305	162
Number of shares sold (000's)	-	150	(150)
Cost of shares sold during the period / year (KD'000)	-	-	(28)
Market value of total treasury shares (KD'000)	5,384	4,387	4,688
Percentage of issued shares	5.31%	5.31%	5.14%
Total number of shares (000's)	28,487	28,487	27,579

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.

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 30 September 2017 (Unaudited)



30 September 2017 (Unaudited)					
	Level 1	Level 2	Level 3	Total	
	KD'000	KD'000	KD'000	KD'000	
Financial assets at fair value through profit or loss					
Quoted equity	8,781	-	-	8,781	
Available-for-sale investments					
Debt securities	-	7,730	-	7,730	
Managed funds	-	-	252	252	
Equity participations	-	-	21,783	21,783	
	<u>8,781</u>	<u>7,730</u>	<u>22,035</u>	<u>38,546</u>	
31 December 2016 (Audited)					
	Level 1	Level 2	Level 3	Total	
	KD'000	KD'000	KD'000	KD'000	
Financial assets at fair value through profit or loss					
Quoted equity	7,152	-	-	7,152	
Available-for-sale investments					
Debt securities	-	7,748	-	7,748	
Managed funds	-	-	259	259	
Equity participations	-	-	19,080	19,080	
	<u>7,152</u>	<u>7,748</u>	<u>19,339</u>	<u>34,239</u>	
30 September 2016 (Unaudited)					
	Level 1	Level 2	Level 3	Total	
	KD'000	KD'000	KD'000	KD'000	
Financial assets at fair value through profit or loss					
Quoted equity	6,371	442	-	6,813	
Available-for-sale investments					
Debt securities	-	7,730	-	7,730	
Managed funds	-	-	270	270	
Equity participations	-	-	17,250	17,250	
	<u>6,371</u>	<u>8,172</u>	<u>17,520</u>	<u>32,063</u>	
Financial assets	Fair value as at			Fair value Hierarchy	Sector
	30 September 2017	31 December 2016	30 September 2016		
	KD'000	KD'000	KD'000		
Financial assets at fair value through profit or loss - Quoted securities	7,070	6,564	5,890	Level 1	Financial Institutions
	571	555	450	Level 1	Real estate
	1,140	33	31	Level 1	Retail
	<u>8,781</u>	<u>7,152</u>	<u>6,371</u>		

Financial assets at fair value through profit or loss - Unquoted funds	-	-	442	Level 2	Real estate
Available-for-sale investments - Unquoted debt	7,030	7,048	7,030	Level 2	Financial Institutions
	700	700	700	Level 2	Real estate
	<u>7,730</u>	<u>7,748</u>	<u>8,172</u>		
Available for sale investments - Unquoted funds	77	80	94	Level 3	Media & technology
	127	130	123	Level 3	Real estate
	47	49	53	Level 3	Retail
Available for sale investments - Unquoted securities	13,741	10,386	9,081	Level 3	Real estate
	6,417	6,472	6,219	Level 3	Financial Institutions
	1,458	2,059	1,950	Level 3	Service
	168	163	-	Level 3	Media & technology
	<u>22,035</u>	<u>19,339</u>	<u>17,520</u>		
	<u>38,546</u>	<u>34,239</u>	<u>32,063</u>		

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

	(Unaudited) 30 September 2017	(Audited) 31 December 2016	(Unaudited) 30 September 2016
	KD'000	KD'000	KD'000
Opening balance	19,339	14,818	14,818
Total gain or losses:			
- in profit or loss	46	284	86
- in other comprehensive income	(146)	334	16
Purchases/ transfers	3,546	4,422	3,051
Sales	(750)	(519)	(451)
Closing balance	<u>22,035</u>	<u>19,339</u>	<u>17,520</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 interim consolidated statement of financial position or consolidated statement of profit or loss.