

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



شركة التسهيلات التجارية أ.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 June 2018  
(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 its subsidiaries (collectively "the Group") as at 30 June 2018, and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-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 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 Parent Company. 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, as amended or by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended during the six-month period ended 30 June 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our review, 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, as amended, concerning the Capital Markets Authority and its related regulations during the six-month period ended 30 June 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.

  
**Bader A. Al-Wazzan**  
Licence No. 62A  
Deloitte & Touche  
Al-Wazzan & Co.

Kuwait 23 July 2018

  
**Abdulhussain M. Al-Rasheed**  
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**Commercial Facilities Company S.A.K.P. and Subsidiaries**  
**State of Kuwait**

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2018  
(Unaudited)



		(Unaudited) 30 June 2018	(Audited) 31 December 2017	(Unaudited) 30 June 2017
	Notes	KD'000	KD'000	KD'000
<b>Assets</b>				
Cash and bank balances	4	35,279	28,105	25,528
Other receivables and prepayments		1,957	1,463	1,490
Instalment debtors	5	237,353	248,308	253,303
Investment securities	6	44,381	40,922	38,395
Investment in associates	7	13,414	13,095	13,110
Investment properties		4,239	4,239	4,200
Property and equipment		2,355	2,263	2,160
<b>Total assets</b>		<b>338,978</b>	<b>338,395</b>	<b>338,186</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Trade creditors and other liabilities		4,893	5,797	5,064
Term loans	8	164,858	159,506	165,030
Provision for staff indemnity		4,471	4,404	3,964
<b>Total liabilities</b>		<b>174,222</b>	<b>169,707</b>	<b>174,058</b>
<b>Equity</b>				
Share capital		53,676	53,676	53,676
Share premium		1,433	1,433	1,433
Legal reserve		48,344	48,344	47,421
Voluntary reserve		48,093	48,093	48,093
Fair value reserve		3,671	3,837	3,552
Foreign currency translation reserve		727	754	876
Land revaluation reserve		915	915	852
Treasury shares	10	(11,209)	(11,209)	(11,189)
Gain on sale of treasury shares		14	14	14
Retained earnings		19,069	22,809	19,379
Equity attributable to the shareholders of the Parent Company		164,733	168,666	164,107
Non-controlling interests		23	22	21
<b>Total equity</b>		<b>164,756</b>	<b>168,688</b>	<b>164,128</b>
<b>Total liabilities and equity</b>		<b>338,978</b>	<b>338,395</b>	<b>338,186</b>

Ali Ibrahim Marafi  
Chairman



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

The accompanying notes 1 to 18 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 June 2018 (Unaudited)



	Notes	Three-month period ended		Six-month period ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
		KD'000	KD'000	KD'000	KD'000
Income from instalment credit		<u>4,311</u>	<u>4,319</u>	<u>8,591</u>	<u>8,668</u>
Share of results of associates	7	156	150	319	268
Other income		345	254	613	526
Net gain from investments	11	214	649	1,599	1,640
Rental income from investment property		61	57	95	138
Net foreign exchange gain		-	119	-	218
<b>Total other income</b>		<u>776</u>	<u>1,229</u>	<u>2,626</u>	<u>2,790</u>
Borrowing costs		(1,431)	(1,471)	(3,139)	(2,876)
Staff costs and related expenses		(676)	(618)	(1,349)	(1,291)
General and administrative expenses		(240)	(290)	(473)	(587)
Net Foreign Exchange Losses		(137)	-	(196)	-
<b>Total other expenses</b>		<u>(2,484)</u>	<u>(2,379)</u>	<u>(5,157)</u>	<u>(4,754)</u>
<b>Profit before provision for credit losses and impairment losses</b>		2,603	3,169	6,060	6,704
Provision for doubtful debts		(575)	(886)	(1,212)	(2,111)
ECL	13	-	-	(36)	-
<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>		2,028	2,283	4,812	4,593
Provision for KFAS		(20)	(23)	(48)	(46)
Provision for NLST and Zakat		(71)	(63)	(158)	(131)
Provision for Directors' remuneration		(27)	(27)	(53)	(53)
<b>Profit for the period</b>		<u>1,910</u>	<u>2,170</u>	<u>4,553</u>	<u>4,363</u>
<b>Attributable to:</b>					
Shareholders of the Parent Company		1,910	2,169	4,552	4,362
Non-controlling interests		-	1	1	1
		<u>1,910</u>	<u>2,170</u>	<u>4,553</u>	<u>4,363</u>
<b>Earnings per share</b>	12	<u>4 Fils</u>	<u>4 Fils</u>	<u>9 Fils</u>	<u>9 Fils</u>

The accompanying notes 1 to 18 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 June 2018 (Unaudited)



	Three-month period ended 30 June		Six-month period ended 30 June	
	2018	2017	2018	2017
	KD'000	KD'000	KD'000	KD'000
<b>Profit for the period</b>	<u>1,910</u>	<u>2,170</u>	<u>4,553</u>	<u>4,363</u>
<b>Other comprehensive income</b>				
<b>Items to be reclassified to consolidated profit or loss in subsequent periods</b>				
Foreign exchange losses	(15)	(79)	(27)	(140)
Change in fair value of available-for-sale investments	-	(4)	-	19
<b>Items not to be reclassified to consolidated profit or loss in subsequent periods</b>				
Change in fair value of investments at FVOCI	134	-	41	-
<b>Other comprehensive income for the period</b>	<u>119</u>	<u>(83)</u>	<u>14</u>	<u>(121)</u>
<b>Total comprehensive income for the period</b>	<u>2,029</u>	<u>2,087</u>	<u>4,567</u>	<u>4,242</u>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Parent Company	2,029	2,086	4,566	4,241
Non-controlling interests	-	1	1	1
	<u>2,029</u>	<u>2,087</u>	<u>4,567</u>	<u>4,242</u>

The accompanying notes 1 to 18 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 Changes in Equity - period from 1 January to 30 June 2018 (Unaudited)**

	Equity attributable to shareholders of the Parent Company										Non-Controlling Interest	Total
	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		
	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 31 December 2017</b>	53,676	1,433	48,344	48,093	3,837	754	915	(11,209)	14	22,809	22	168,688
Impact of adopting IFRS9 at 1 January 2018 (See note 13)	-	-	-	-	-	-	-	-	-	(368)	-	(368)
<b>Restated balance at 1 January 2018 (restated)</b>	53,676	1,433	48,344	48,093	3,837	754	915	(11,209)	14	22,441	22	168,320
Profit for the period	-	-	-	-	-	-	-	-	-	4,552	1	4,553
Foreign exchange losses	-	-	-	-	-	(27)	-	-	-	-	-	(27)
Change in fair value of investments at FVOCI	-	-	-	-	41	-	-	-	-	-	-	41
Profit on sale of FVOCI	-	-	-	-	(207)	-	-	-	-	207	-	-
Total comprehensive income for the period	-	-	-	-	(166)	(27)	-	-	-	(4,759)	1	4,567
Dividends (See note 16)	-	-	-	-	-	-	-	-	-	(8,131)	-	(8,131)
<b>Balance at 30 June 2018</b>	53,676	1,433	48,344	48,093	3,671	727	915	(11,209)	14	19,069	23	164,756
<b>Balance at 1 January 2017</b>	53,676	1,433	47,421	48,093	3,533	1,016	852	(11,189)	14	23,149	-	167,998
Profit for the period	-	-	-	-	-	-	-	-	-	4,362	1	4,363
Foreign exchange losses	-	-	-	-	-	(140)	-	-	-	-	-	(140)
Change in fair value of AFS	-	-	-	-	19	-	-	-	-	-	-	19
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Increase in non-controlling interest	-	-	-	-	19	(140)	-	-	-	4,362	1	4,242
Dividends (See note 16)	-	-	-	-	-	-	-	-	-	-	20	20
<b>Balance at 30 June 2017</b>	53,676	1,433	47,421	48,093	3,552	876	852	(11,189)	14	19,379	21	164,128

The accompanying notes 1 to 18 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 June 2018 (Unaudited)



		Six-month period ended 30 June	
		2018	2017
	Note	KD'000	KD'000
<b>Operating activities</b>			
Profit before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration		4,812	4,593
Adjustments for:			
Depreciation		24	87
Increase in fair value of financial assets at FVTPL		(474)	(800)
Gain on sale of available-for-sale investments		-	(55)
Realised (gain)/ loss on financial assets at FVTPL		(25)	184
Interest income		(595)	(504)
Dividend income		(1,100)	(969)
Share of results of associates		(319)	(268)
Provision for staff indemnity		99	84
Provision for doubtful debts		1,212	2,111
Provision for credit loss expense		36	-
Foreign currency exchange gain on investment		(5)	-
		3,665	4,463
Decrease in instalment debtors		9,743	913
(Increase)/ decrease in other receivables and prepayments		(415)	181
Decrease in trade creditors and other liabilities		(1,163)	(621)
<b>Cash from operations</b>		11,830	4,936
Staff indemnity paid		(32)	(347)
Interest received		595	504
Dividends received		1,021	969
<b>Net cash from operating activities</b>		13,414	6,062
<b>Investing activities</b>			
(Increase)/ decrease in deposits		(888)	6,892
Purchase of financial assets at FVTPL		(4)	(211)
Purchase of available-for-sale investments		-	(2,757)
Purchase of financial assets at FVOCI		(5,721)	-
Purchase of property and equipment		(116)	(4)
Proceeds from sale of financial assets at FVTPL		263	165
Proceeds from sale of financial assets at FVOCI		2,519	-
Proceeds from sale of available-for-sale investments		-	109
Dividends from associate		-	188
<b>Net cash (used in)/ from investing activities</b>		(3,947)	4,382
<b>Financing activities</b>			
Proceeds/ (repayment) of term loans		5,352	(9,323)
Dividends paid		(8,131)	(8,132)
<b>Net cash used in financing activities</b>		(2,779)	(17,455)
<b>Net increase/ (decrease) in cash and cash equivalents</b>		6,688	(7,011)
Cash and cash equivalents at beginning of the period		10,085	18,975
<b>Cash and cash equivalents at end of the period</b>	4	16,773	11,964

The accompanying notes 1 to 18 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.

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 23 July 2018.

## **2. Basis of preparation and significant accounting policies**

The interim condensed consolidated financial information of the Group have been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting except as noted below.

The annual consolidated financial statements for the year ended 31 December 2017 were 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. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018 as explained below.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. The Group has adopted IFRS 9: Financial Instruments, effective 1 January 2018, except for the requirement of Expected Credit Losses ("ECL") on financing facilities, which have been replaced by the CBK's requirement for credit losses. The accounting policies for these new standards are disclosed in the Note 3. Significant judgments and estimates relating to impairment are disclosed in Note 3 considering IFRS 9 first time adoption.

The Group has also adopted IFRS 15: Revenue from Contracts with Customers from 1 January 2018.



Further, results for the six months period ended 30 June 2018, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

### **3. Impact of changes in accounting policies due to adoption of new standards**

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

#### **IFRS 15 - Revenue from Contracts with customers**

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers. Further, adoption of IFRS 15 had no impact on this interim condensed consolidated financial information of the Group.

#### **IFRS 9 - Financial Instruments**

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018, with the exception of requirements of the expected credit losses on credit facilities as noted above in note 2. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

#### **Classification of financial assets and financial liabilities**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

#### **Business model assessment**

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.



### **The SPPI test**

The Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit or loss (FVTPL).

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

### **3.1. Measurement categories of financial assets and liabilities**

The IAS 39 measurement categories of financial assets FVTPL, available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the statement of profit or loss.

#### **3.1.1. Debt instruments at amortized cost**

A financial asset which is a debt instruments, is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Bank balances and other receivables are classified as debt instruments at amortised cost.

Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

#### **3.1.2. Debt instruments at FVOCI**

A debt investment is carried at FVOCI if it meets both of the following conditions:

- It is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test



FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of profit or loss. The ECL calculation for Debt instruments at FVOCI is explained in Note 3.2. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. The management of the Group classifies certain unquoted Bonds and includes them under investment at FVOCI in the statement of financial position.

### **3.1.3. Equity instruments at FVOCI**

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to statement of profit or loss. Dividends are recognised in statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity. The management classifies certain equity investments at FVOCI and are included in investment at FVOCI in the statement of financial position.

### **3.1.4. Financial asset at FVTPL**

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, interest income and dividends are recorded in statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain debt securities and equities, that have been acquired principally for the purpose of selling or repurchasing in the near term.

## **3.2. Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The management has applied the new impairment model only to debt instruments at amortised cost and FVOCI excluding instalment debtors for which the Group continues to apply impairment requirements under CBK regulations.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. Key changes in the Group's accounting policy for impairment of financial assets are listed below:

The Group applies three-stage approach to measuring expected credit losses (ECL). Assets migrate through the following three stages based on the change in credit quality since initial recognition.

#### **Stage 1: 12 months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

#### **Stage 2: Lifetime ECL – not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.



**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 June 2018 (Unaudited)



**4. Cash and bank balances**

	(Unaudited) 30 June 2018 KD'000	(Audited) 31 December 2017 KD'000	(Unaudited) 30 June 2017 KD'000
Cash on hand	4	2	6
Bank balances	9,064	10,083	5,709
Deposits	26,211	18,020	19,813
	35,279	28,105	25,528
Less: Deposits with original maturity over three months	(18,506)	(18,020)	(13,564)
Cash and cash equivalents as per consolidated statement of cash flows	16,773	10,085	11,964

The Group's deposits with local banks and foreign banks, denominated in KD, amount to KD 8 million (31 December 2017: Nil and 30 June 2017: KD 2 million) and those denominated in USD and LBP with foreign banks based in the Middle East amount to KD 18,211 thousand (31 December 2017: KD 18,020 thousand and 30 June 2017: KD 17,813 thousand). These deposits yield interest ranging from 2.25% to 6.75% (31 December 2017: 4.50% to 6.45% and 30 June 2017: 1.50% to 6.45%) per annum.

**5. Instalment debtors**

The average interest rate earned from instalment credit for the six-month period ended 30 June 2018 was 4.53% (31 December 2017: 4.37% and 30 June 2017: 4.25%) per annum.

**6. Investment securities**

	(Unaudited) 30 June 2018 KD'000	(Audited) 31 December 2017 KD'000	(Unaudited) 30 June 2017 KD'000
Financial assets at FVTPL	9,766	8,397	7,814
Investments at FVOCI	34,615	-	-
Available-for-sale investments			
Investments carried at fair value	-	32,485	29,759
Investments carried at cost	-	40	822
	44,381	40,922	38,395

**7. Investments in associates**

Investments in associated companies are as follows:

	Place of incorporation and operation	Proportion of ownership interest 2017 and 2018	Principal activity
Real Estate Facilities and Investment Company K.S.C.C	Kuwait	26.43%	Finance of real estate
Priority Automobile Company K.S.C.C.	Kuwait	44.56%	Renting and leasing of luxury cars

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

	30 June 2018 KD'000	30 June 2017 KD'000
Total assets	57,251	52,228
Total liabilities	(17,192)	(12,361)
Net assets	40,059	39,867
Group's share of associates' net assets	13,414	13,110
Revenues	4,785	5,455
Profit for the period	1,051	874
Group's share of results of associates	319	268



## 8. Term loans

	(Unaudited) 30 June 2018	(Audited) 31 December 2017	(Unaudited) 30 June 2017
	KD'000	KD'000	KD'000
Loans denominated in KD	133,316	150,454	134,225
Loans denominated in USD	31,542	9,052	30,805
	<u>164,858</u>	<u>159,506</u>	<u>165,030</u>

During the period, the Group signed KD loan agreements amounting to 45 Million (31 December 2017: KD 53 million and 30 June 2017: KD 10 million) and USD loans amounting to USD 50 million (31 December 2017: Nil and 30 June 2017: Nil).

The weighted average interest rate on KD loans outstanding at 30 June 2018 was 3.88% per annum and on USD loans was 3.31% per annum (31 December 2017: 3.68% per annum and 2.78% per annum respectively and for 30 June 2017: 3.64% per annum and 2.72% per annum respectively).

The Group's outstanding term loans at 30 June 2018 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 KD 222,521 thousand (31 December 2017: KD 230,801 thousand and 30 June 2017: KD 208,301 thousand) as security over 19 term loans (31 December 2017: 18 term loans and 30 June 2017: 16 term loans) with balances outstanding of KD 164,858 thousand (31 December 2017: KD 159,506 thousand and 30 June 2017: KD 149,880 thousand).

## 9. 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		Six-month period ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	KD'000	KD'000	KD'000	KD'000
Salaries and other short-term benefits	105	103	209	206
Post-employment benefits	18	19	32	29
	<u>123</u>	<u>122</u>	<u>241</u>	<u>235</u>

### b) Instalment debtors

Balance at 1 January	37	39
Loan advance received	-	15
Instalment repayments received	(10)	(12)
Balance at 30 June	<u>27</u>	<u>42</u>



# **10. Treasury shares**

	(Unaudited) 30 June 2018	(Audited) 31 December 2017	(Unaudited) 30 June 2017
Number of shares purchased (000's)	-	121	-
Cost of shares purchased during the period / year (KD'000)	-	20	-
Market value of total treasury shares (KD'000)	4,692	4,863	4,843
Percentage of issued shares	5.33%	5.33%	5.31%
Total number of shares (000's)	28,608	28,608	28,487

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.

# **11. Net gains from investments**

	Three-month period ended		Six-month period ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	KD'000	KD'000	KD'000	KD'000
(Decrease)/ increase in fair value of financial assets at FVTPL	(209)	205	474	800
Realised gain on sale of available-for-sale investments	-	-	-	55
Realised gain/ (loss) on sale of financial assets at FVTPL	-	-	25	(184)
Dividend income	423	444	1,100	969
	<u>214</u>	<u>649</u>	<u>1,599</u>	<u>1,640</u>

# **12. Earnings per share**

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

	Three-month period ended		Six-month period ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	KD'000	KD'000	KD'000	KD'000
Profit for the period	<u>1,910</u>	<u>2,171</u>	<u>4,553</u>	<u>4,363</u>
	<u>Shares</u>			
Weighted average number of the Parent Company's issued and paid-up shares (000's)	536,764	536,764	536,764	536,764
Weighted average number of the Parent Company's treasury shares (000's)	<u>(28,608)</u>	<u>(28,487)</u>	<u>(28,608)</u>	<u>(28,487)</u>
Weighted average number of the Parent Company's outstanding shares (000's)	<u>508,156</u>	<u>508,277</u>	<u>508,156</u>	<u>508,277</u>
Earnings per share	<u>4 Fils</u>	<u>4 Fils</u>	<u>9 Fils</u>	<u>9 Fils</u>

### 13. Impacts of IFRS 9 adoption

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasurement ECL	New carrying amount under IFRS 9
	KD'000	KD'000	KD'000	KD'000	KD'000
<b>Financial assets</b>					
Cash and bank balances	Loans and receivables	Amortised cost	28,105	(366)	27,739
Other receivables	Loans and receivables	Amortised cost	1,314	-	1,314
Instalment debtors	Loans and receivables	Amortised cost	248,308	-	248,308
Investment securities					
- Debt securities	AFS	FVOCI	7,351	(2)	7,349
- Debt securities	AFS	FVTPL	1,129	-	1,129
- Equities	AFS	FVOCI	24,045	-	24,045
- Equities	FVPL	FVTPL	8,397	-	8,397
			<u>318,649</u>	<u>(368)</u>	<u>318,281</u>

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

The impact of this change in accounting policy as at 1 January 2018 has been to decrease retained earnings by KD 368 thousand as follows:

	Retained earnings
	KD'000
Closing balance under IAS 39 (31 December 2017)	22,809
Impact on recognition of ECL:	
Expected credit losses under IFRS 9 for debt financial assets at FVOCI	(2)
Expected credit losses under IFRS 9 for financial assets at amortised cost	(366)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	<u>22,441</u>

#### Impairment allowances

The following table reconciles the closing impairment allowances for financial assets other than instalment debtors determined in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowances determined in accordance with IFRS 9 as at 1 January 2018.

	Impairment allowances under IAS 39 at 31 December 2017	Remeasurement	Expected credit losses under IFRS 9 at 1 January 2018
	KD'000	KD'000	KD'000
Debt investment securities measured at FVOCI	-	2	2
Other financial assets measured at amortised cost	-	366	366
Total expected credit losses	<u>-</u>	<u>368</u>	<u>368</u>



**Credit loss expense**

The table below shows the ECL charges on financial instruments for the period recorded in the consolidated statement of profit or loss:

Three-month period ended 30 June 2018			
Stage 1	Stage 2	Stage 3	Total
KD'000	KD'000	KD'000	KD'000
Bank balances	-	-	-
	-	-	-
Six-month period ended 30 June 2018			
Stage 1	Stage 2	Stage 3	Total
KD'000	KD'000	KD'000	KD'000
Bank balances	36	-	36
	-	-	-

No movement in ECL charge between stages 2-3 during current period.

**14. 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 KD'000	International KD'000	Total KD'000
<b>At 30 June 2018 (Unaudited)</b>			
Profit before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration	3,766	1,046	4,812
Total assets	292,876	46,102	338,978
Total liabilities	(142,680)	(31,542)	(174,222)
Net assets employed	150,196	14,650	164,756
<b>At 31 December 2017 (Audited)</b>			
Profit before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration	7,571	1,655	9,226
Total assets	295,192	43,203	338,395
Total liabilities	(160,655)	(9,052)	(169,707)
Net assets employed	134,537	34,151	168,688
<b>At 30 June 2017 (Unaudited)</b>			
Profit before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration	3,641	952	4,593
Total assets	296,907	41,279	338,186
Total liabilities	(143,253)	(30,805)	(174,058)
Net assets employed	153,654	10,474	164,128

**15. Commitments**

The Group has capital commitments of KD 44 thousand (31 December 2017: KD 44 thousand and 30 June 2017: KD 44 thousand) on purchase of investments.

**16. Annual general assembly**

The shareholder's annual general assembly held on 28 March 2018 approved the audited consolidated financial statements of the Group for the year ended 31 December 2017 and the payment of cash dividend of 16 fils per share to the shareholders on record as of the date of the annual general assembly (2017: 16 fils per share) amounting to KD 8,131 thousand (2017: KD 8,132 thousand).



## 17. Financial risk management

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 2017.

## 18. 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).

### 30 June 2018 (Unaudited)

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>Financial assets at FVTPL</b>				
Quoted equity	8,620	-	-	8,620
Debt securities	-	1,146	-	1,146
<b>Financial assets at FVOCI</b>				
Debt securities	-	8,648	-	8,648
Managed funds	-	-	106	106
Equity instruments	-	-	25,861	25,861
	<u>8,620</u>	<u>9,794</u>	<u>25,967</u>	<u>44,381</u>

### 31 December 2017 (Audited)

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>Financial assets at FVTPL</b>				
Quoted equity	8,397	-	-	8,397
<b>Available-for-sale investments</b>				
Debt securities	-	8,480	-	8,480
Managed funds	-	-	249	249
Equity participation	-	-	23,756	23,756
	<u>8,397</u>	<u>8,480</u>	<u>24,005</u>	<u>40,882</u>

### 30 June 2017 (Unaudited)

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<b>Financial assets at FVTPL</b>				
Quoted equity	7,814	-	-	7,814
<b>Available-for-sale investments</b>				
Debt securities	-	7,734	-	7,734
Managed funds	-	-	249	249
Equity participations (unquoted securities)	-	-	21,776	21,776
	<u>7,814</u>	<u>7,734</u>	<u>22,025</u>	<u>37,573</u>



**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 June 2018 (Unaudited)



Financial assets	Fair value as at			Fair value Hierarchy	Sector
	30 June 2018	31 December 2017	30 June 2017		
	KD'000	KD'000	KD'000		
Financial assets at FVTPL - Quoted securities	8,048	7,859	6,303	Level 1	Financial Institutions
	572	538	530	Level 1	Real estate
	-	-	981	Level 1	Retail
	<u>8,620</u>	<u>8,397</u>	<u>7,814</u>		
Financial assets at FVTPL - Debt securities	1,146	-	-	Level 2	Financial Institutions
Financial assets at FVOIC - Unquoted debt	6,650	7,780	7,034	Level 2	Financial Institutions
	<u>2,000</u>	<u>700</u>	<u>700</u>	Level 2	Real estate
	<u>9,796</u>	<u>8,480</u>	<u>7,734</u>		
Financial assets at FVTPL - Unquoted funds	23	75	79	Level 3	Media & technology
	51	127	124	Level 3	Real estate
	32	47	47	Level 3	Retail
Financial assets at FVOCI - Unquoted securities	16,890	15,713	13,107	Level 3	Real estate
	7,324	6,440	6,460	Level 3	Financial Institutions
	1,481	1,433	2,033	Level 3	Service
	164	170	175	Level 3	Manufacturing
	<u>25,965</u>	<u>24,005</u>	<u>22,025</u>		
	<u>44,381</u>	<u>40,882</u>	<u>37,573</u>		

Movement in level 3 is as follows:

	(Unaudited) 30 June 2018	(Audited) 31 December 2017	(Unaudited) 30 June 2017
	KD'000	KD'000	KD'000
Opening balance	24,005	19,339	19,339
Total gain or losses:			
- in profit or loss	207	(71)	46
- in other comprehensive income	(188)	146	(132)
Purchases/ transfers	3,760	6,101	2,871
Sales	(1,817)	(1,510)	(99)
Closing balance	<u>25,967</u>	<u>24,005</u>	<u>22,025</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. 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.