

**Credit One Kuwait Holding Company for Commerce
and Programmes K.S.C. (Closed) and its Subsidiary**
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CREDIT ONE KUWAIT COMPANY FOR COMMERCE AND PROGRAMMES K.S.C. (CLOSED)

We have audited the accompanying consolidated financial statements of Credit One Kuwait Company for Commerce and Programmes K.S.C. (Closed) ('the parent company') and its subsidiary (the group), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CREDIT
ONE KUWAIT COMPANY FOR COMMERCE AND PROGRAMMES K.S.C.
(CLOSED) (CONTINUED)**

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the board of directors 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 information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2007 that might have had a material effect on the business of the parent company or on its financial position.


WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

1 May 2008

Kuwait

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

		2007 KD	25 July 2005 to 31 December 2006 KD
	Notes		
Interest income from instalment credit		5,057,926	4,138,497
Interest expense		(1,457,395)	(1,813,805)
Net interest income		3,600,531	2,324,692
Murabaha income		18,891	152,574
Other income		670,650	443,430
Administrative expenses		(1,166,593)	(1,153,877)
Provision for doubtful debts		(161,583)	(196,708)
PROFIT FOR THE YEAR/PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' FEES		2,961,896	1,570,111
Contribution to KFAS		(26,657)	(14,131)
Zakat	3	(1,810)	-
Directors' fees		(41,000)	(53,000)
PROFIT FOR THE YEAR/PERIOD	4	2,892,429	1,502,980
BASIC AND DILUTED EARNINGS PER SHARE	5	11.87 fils	8.59 fils

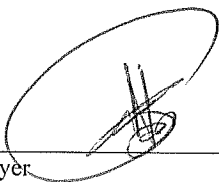
The attached notes 1 to 19 form part of these consolidated financial statements.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 KD	2006 KD
ASSETS			
Non-current assets			
Furniture and fixtures		55,491	30,699
Goodwill	6	5,875,738	5,496,209
Available for sale investments		-	27,743
Amount due under instalment credit agreements	7	33,080,359	19,750,876
		<u>39,011,588</u>	<u>25,305,527</u>
Current assets			
Amount due under instalment credit agreements	7	21,208,509	14,056,159
Other receivables		180,362	61,375
Murabaha receivables	8	417,170	450,000
Bank balances and cash	9	801,765	543,668
		<u>22,607,806</u>	<u>15,111,202</u>
TOTAL ASSETS		<u><u>61,619,394</u></u>	<u><u>40,416,729</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	25,000,000	17,500,000
Statutory reserve	11	453,201	157,011
Cumulative changes in fair values		-	115
Retained earnings		3,942,208	1,345,969
Total equity		<u>29,395,409</u>	<u>19,003,095</u>
Current liabilities			
Accounts payables and accruals	12	4,445,918	1,988,634
Amounts due to related parties	13	-	8,775,000
Bank overdrafts	9	228,067	-
Interest bearing loans	14	27,550,000	10,650,000
Total liabilities		<u>32,223,985</u>	<u>21,413,634</u>
TOTAL EQUITY AND LIABILITIES		<u><u>61,619,394</u></u>	<u><u>40,416,729</u></u>


Mubarak Al Sayer
Chairman


Hazim Al Mutairi
Chief Executive Officer

The attached notes 1 to 19 form part of these consolidated financial statements.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2007

		25 July 2005 to 31 December 2006 KD
	Note	2007 KD
OPERATING ACTIVITIES		
Profit for the year / period		2,892,429
Adjustments for:		
Realised gain on sale of available for sale investments		(824)
Depreciation		14,621
		<u>2,906,226</u>
Working capital changes:		1,568,420
Amount due under instalment credit agreements		(20,472,236)
Other receivables		(128,584)
Murabaha receivables		32,830
Accounts payables and accruals		2,077,755
Amounts due to related parties		(8,750,000)
		<u>(24,334,009)</u>
Net cash used in operating activities		(12,713,488)
INVESTING ACTIVITIES		
Purchase of furniture and fixtures		(39,413)
Purchase of available for sale investments		-
Proceeds from sale of available for sale investments		28,452
Acquisition of a subsidiary, net of cash acquired		-
		<u>(10,961)</u>
Net cash used in investing activities		(12,167,844)
FINANCING ACTIVITIES		
Proceeds from issue of share capital		7,475,000
Uncalled capital		-
Net movement in interest bearing loans		16,900,000
		<u>24,375,000</u>
Net cash from financing activities		25,425,000
INCREASE IN CASH AND CASH EQUIVALENTS		<u>30,030</u>
Cash and cash equivalents at the beginning of the period		543,668
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	<u><u>573,698</u></u>

The attached notes 1 to 19 form part of these consolidated financial statements.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Cumulative changes in fair value KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Net movement in fair value of available for sale investments	-	-	115	-	115
Total income for the period recognised directly in equity	-	-	115	-	115
Profit for the period	-	-	-	1,502,980	1,502,980
Total income for the period	-	-	115	1,502,980	1,503,095
Issue of share capital	17,500,000	-	-	-	17,500,000
Transfer to statutory reserve	-	157,011	-	(157,011)	-
Balance at 31 December 2006	17,500,000	157,011	115	1,345,969	19,003,095
Net movement in fair value of available for sale investments	-	-	(115)	-	(115)
Total income for the year recognised directly in equity	-	-	-	-	-
Profit for the year	-	-	-	2,892,429	2,892,429
Total income for the year	-	-	-	2,892,429	2,892,429
Share capital called (note 10)	7,500,000	-	-	-	7,500,000
Transfer to statutory reserve (note 11)	-	296,190	-	(296,190)	-
Balance at 31 December 2007	25,000,000	453,201	-	3,942,208	29,395,409

The attached notes 1 to 19 form part of these consolidated financial statements.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C. (Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

1 ACTIVITIES

The consolidated financial statements of Credit One Kuwait Holding Company for Commerce and Programmes K.S.C. (Closed) (the "parent company") and its subsidiary (the "group") for the year ended 31 December 2007 were authorised for issue by the directors on 1 May 2008.

The parent company is a Kuwaiti shareholding company closed registered on 25 July 2005 under the Commercial Companies Law No. 15 of 1960 and amendments thereto.

The parent company operates under the Islamic Shareea'a and is principally engaged in investing activities permissible under Islamic Shareea'a. The registered office of the parent company is at Salhiya Complex, 3rd Floor, Gate 8, P.O. Box 97, Dasmah, 35151, Safat, Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified to include the measurement at fair value of available for sale investments.

The consolidated financial statements have been presented in Kuwaiti Dinars.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and applicable requirements of Ministerial Order No. 18 of 1990.

Changes in accounting policies and disclosures

International Accounting Standards Board (IASB) Standards issued but not adopted

The accounting policies are consistent with those used in the previous year except for the adoption of the following new/amended IASB Standards. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the group, they did however give rise to additional disclosures. The comparative information has been revised where appropriate.

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the consolidated financial statements to evaluate the significance of the group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements.

IAS 1 Presentation of Financial Statements

The amendment to this standard requires the group to make additional disclosures to enable users of the consolidated financial statements to evaluate the group's objectives, policies and processes for managing capital.

The following International Accounting Standards Board ("IASB") Standard applicable to the group have been issued but are not yet mandatory, and have not yet been adopted by the group:

IAS 1 "Presentation of Financial Statements" (Revised)

The application of IAS 1 (Revised), which will be effective for the annual periods beginning on or after 1 January 2009, will impact the presentation of consolidated financial statements to enhance the usefulness of the information presented.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary, as detailed below:

Name	Place of incorporation	Ownership %	Principal activities
Al-Sayer Facilities Company For General Trading and Contracting (Adnan Al-Bahar and Partners) W.L.L.	Kuwait	100	Vehicle finance

A subsidiary is fully consolidated from the date of acquisition, being the date on which the group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statement of the subsidiary is prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Financial assets and liabilities

Classification

The group classifies its financial instruments as "loans and receivables" and "financial liability other than at fair value through profit or loss". Management determines the appropriate classification of each instrument at the time of acquisition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using effective interest method less any provision for impairment. In the balance sheet "Amount due under instalment credit agreements", "Other receivables" and "Cash and cash equivalents" are classified as "loan and receivables".

Financial liabilities other than at fair value through profit or loss

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortised cost using the effective yield method. In the balance sheet "Accounts payable and accruals", "Interest bearing loans" and "Bank overdrafts" are classified as "financial liabilities other than at fair value through profit or loss".

Recognition and de-recognition

A financial asset or a financial liability is recognised when the Company becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Company receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (in whole or in part) is derecognised either when: (i) the rights to receive the cash flows from the asset have expired or (ii) the Company has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or (iii) the Company 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. Where the Company has transferred its right 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 Company's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial asset and liabilities (Continued)

Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

The provision for impairment of loans and receivables also covers losses where there is objective evidence that losses may be present in components of the loans and receivables portfolio at the balance sheet date. These are estimated based on historical patterns of losses, the credit ratings allotted to the borrowers and reflect the current economic climate in which the borrowers operate.

Revenue recognition

Interest income from instalment credit is recognised on a time proportionate basis. Any amounts not yet earned are deducted from amount due under instalment credit agreements. Initial fees on instalment credit agreements are recognised when the agreements become effective.

Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

Goodwill

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Amount due under instalment credit agreements

Amount due under instalment credit agreements are stated net of unearned interest and net of an impairment provision for amounts estimated to be uncollectible on the basis of a continuous appraisal of the receivables portfolio, having regard to management's experience, current economic conditions and other relevant factors. The repayment year for these amounts varies between 6 and 60 months.

Murabaha receivables

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Where the credit risk of the transaction is attributable to a financial institution, the amount due is classified as a murabaha investment. Where the credit risk is attributable to any non financial institution, the amount due is classified as a murabaha receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Murabaha receivables (Continued)

Murabaha receivables arising from the group's financing of transactions on an Islamic basis are stated at amortised cost. Third party expenses such as legal fees, incurred in granting a murabaha are treated as part of the cost of the transaction.

All murabaha receivables are recognised when the legal right to control the use of the underlying asset is transferred to the customer.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of bank balances, cash in hand and bank overdrafts.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Interest bearing loans

The loans are carried on the balance sheet at their principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

Impairment of non financial assets

Goodwill

The group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Significant accounting judgment and estimates

The preparation of the group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The group has used judgement and estimates principally in, but not limited to, the determination of impairment provisions of amount due under instalment credit agreements.

Impairment provision of amount due under instalment credit agreements

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

3 ZAKAT

Effective from 10 December 2007, the group has provided for Zakat in accordance with the requirements of Law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged to the consolidated income statement.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

4 PROFIT FOR THE YEAR / PERIOD

The profit for the year / period is stated after charging:

	2007 KD	25 July 2005 to 31 December 2006 KD
Staff costs	573,072	372,473
Depreciation	14,620	65,440

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing profit for the year/period by the weighted average number of ordinary shares outstanding during the year/period.

There are no dilutive potential ordinary shares. The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding during the year/period is as follows:

	2007 KD	25 July 2005 to 31 December 2006 KD
Profit for the year / period	2,892,429	1,502,980
Weighted average number of ordinary shares outstanding	243,750,000	175,000,000
Basic and diluted earnings per share	11.87 fils	8.59 fils

6 GOODWILL

Details of movement in goodwill are as follows:

	2007 KD	2006 KD
At the beginning of the year / period	5,496,209	-
Additions	379,529	5,496,209
At 31 December	5,875,738	5,496,209

The total purchase consideration of KD 12,555,823 includes a contingent consideration amounting to KD 1,305,823 out of which KD 670,622 was paid in advance. The contingent consideration is based on the level of financed amounts attributable to the products of Mohamed Nasser Mohamed Al Sayer. The management of the parent company believes that the likelihood of payment of this contingent consideration is probable and can be measured reliably.

The goodwill is likely to increase during later years on achievement of certain other contingent performance conditions, the outcome of which cannot be measured reliably.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

7 AMOUNT DUE UNDER INSTALMENT CREDIT AGREEMENTS

	<i>2007</i> <i>KD</i>	<i>2006</i> <i>KD</i>
Gross amount due under instalment credit agreements	66,790,738	41,445,601
Less: Deferred instalment credit income	(10,119,119)	(5,417,398)
	<u>56,671,619</u>	<u>36,028,203</u>
Less: Provision for doubtful debts	(2,382,751)	(2,221,168)
	<u>54,288,868</u>	<u>33,807,035</u>
<i>Amounts due within a year:</i>		
Gross amount due under instalment credit agreements	26,540,992	18,765,994
Less: Deferred instalment credit income	(4,642,818)	(3,011,159)
	<u>21,898,174</u>	<u>15,754,835</u>
Less: Provision for doubtful debts	(689,665)	(1,698,676)
	<u>21,208,509</u>	<u>14,056,159</u>
<i>Amounts due within 1 and 5 years:</i>		
Gross amount due under instalment credit agreements	40,249,746	22,679,607
Less: Deferred instalment credit income	(5,476,301)	(2,406,239)
	<u>34,773,445</u>	<u>20,273,368</u>
Less: Provision for doubtful debts	(1,693,086)	(522,492)
	<u>33,080,359</u>	<u>19,750,876</u>

The amount due under instalment credit agreements are at fixed rates of interest.

As at 31 December 2007, amount due under instalment credit agreements at nominal value of KD 2,382,751 (2006: KD 2,221,168) were impaired and fully provided.

Movement in the provision for impairment of amount due under instalment credit agreements were as follows:

	<i>2007</i> <i>KD</i>	<i>2006</i> <i>KD</i>
At the beginning of the year / period	2,221,168	2,024,460
Charge for the year / period	161,583	196,708
	<u>2,382,751</u>	<u>2,221,168</u>

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

7 AMOUNT DUE UNDER INSTALMENT CREDIT AGREEMENTS (Continued)

As at 31 December, the analysis of amount due under instalment credit agreements that were not impaired is as follows:

	Neither past due nor impaired KD	Past due but not impaired			Total KD
		1- 3 months KD	4- 6 months KD	7- 12 months KD	
2007	40,311,095	13,471,526	413,149	93,098	54,288,868
2006	26,821,084	6,687,186	146,423	152,342	33,807,035

8 MURABAHA RECEIVABLES

The average profit rate attributable to murabaha receivables during the year is 3.35% (2006: 5.67%) per annum.

9 CASH AND CASH EQUIVALENTS

	2007 KD	2006 KD
Bank balances	793,593	527,564
Cash in hand	8,172	16,104
Total bank balances and cash	801,765	543,668
Less : bank overdrafts	(228,067)	-
	<u>573,698</u>	<u>543,668</u>

10 SHARE CAPITAL

	2007 KD	2006 KD
Authorised and issued:		
400 million shares at 100 fils each	<u>40,000,000</u>	<u>40,000,000</u>
Paid up:		
100 million shares at 100 fils each	<u>10,000,000</u>	<u>10,000,000</u>
300 million shares at 50 fils each	<u>15,000,000</u>	<u>7,500,000</u>
	<u>25,000,000</u>	<u>17,500,000</u>

During the year, the Board of Directors of the parent company made a call for another 25 fils against the 300 million partly paid shares amounting to KD 7,500,000.

In 2006, one of the shareholders of the parent company paid KD 25,000 representing 25 fils per share on the 1 million shares held by him as advance against the uncalled capital.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

11 STATUTORY RESERVE

In accordance with the Commercial Companies Law and the parent company's articles of association, 10% of the profit for the year before contribution to KFAS, Zakat and directors' fees has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

12 ACCOUNTS PAYABLES AND ACCRUALS

	<i>2007</i> <i>KD</i>	<i>2006</i> <i>KD</i>
Trade accounts payable	3,151,402	1,075,587
Accrued expenses and other payables	1,294,516	913,047
	<u>4,445,918</u>	<u>1,988,634</u>

13 RELATED PARTY TRANSACTIONS

Related parties represent members and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. The amounts of related party transactions are included in the results for the period/year as shown in the income statement. The parent company provides administration and other support services to the subsidiary for which no charge has been made during the year.

Transactions with related parties included in consolidated the income statements are as follows:

	<i>2007</i> <i>KD</i>	<i>25 July</i> <i>2005 to</i> <i>31 December</i> <i>2006</i> <i>KD</i>
Interest income from instalment credit	-	39,563
Interest expense	49,154	1,424,929
Administrative expenses	180,351	190,715

Balances with related parties included in consolidated balance sheet are as follows:

	<i>2007</i> <i>KD</i>	<i>2006</i> <i>KD</i>
Amounts due to related parties	-	8,750,000
Accounts payable and accruals	-	1,090,145

Amount due to related parties are disclosed in the balance sheet. Interest is charged on related party balances at rates agreed between related parties. These balances have no fixed date of settlement.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

13 RELATED PARTY TRANSACTIONS (Continued)

The remuneration of key management personnel during the year/period was as follows:

	2007 KD	25 July 2005 to 31 December 2006 KD
Short-term benefits	314,597	202,925
End of service benefits	2,778	11,731

14 INTEREST BEARING LOANS

The interest bearing loans are denominated in Kuwaiti Dinars and carry interest at commercial rates of an average of 7.25% in 2007 (2006 : 6.75%) per annum and are repayable within one year from the balance sheet date.

	2007 KD	2006 KD
Gross amount	28,807,205	12,098,455
Less: Deferred charges	(1,257,205)	(1,448,455)
	<u>27,550,000</u>	<u>10,650,000</u>
	2007 KD	2006 KD
The revolving loan is unsecured and matures within one year from 25 June 2007.	12,700,000	10,000,000
The revolving loan is secured against 125% securities on the receivables of the Company. The facility matures within one year from 27 August 2007.	7,000,000	-
The revolving loan is secured against 125% securities on the receivables of the Company and matures within one year from 24 January 2008.	6,500,000	-
The revolving loan is unsecured and matures within one year.	1,350,000	650,000
	<u>27,550,000</u>	<u>10,650,000</u>

15 RISK MANAGEMENT

Introduction

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the group's strategic planning process.

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

15 RISK MANAGEMENT (Continued)

It is, and has been throughout 2007 and 2006 the group's policy that no trading in derivatives shall be undertaken.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of lending activities. It also obtains security when appropriate.

Maximum exposure to credit risk

With respect to credit risk arising from the other financial assets of the group, which comprise bank balances and cash, amount due under instalment credit agreements, murabaha receivables and available for sale investments the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum risk credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the groups liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2007	<i>Within 1 month KD</i>	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>Total KD</i>
Accounts payable and accruals	1,853,815	2,339,156	252,947	4,445,918
Bank overdrafts	228,067	-	-	228,067
Interest bearing loans	454,504	2,905,067	25,447,634	28,807,205
TOTAL	2,536,386	5,244,223	25,700,581	33,481,190
2006	<i>Within 1 month KD</i>	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>Total KD</i>
Accounts payable and accruals	1,139,876	825,287	23,471	1,988,634
Interest bearing loans	67,701	128,850	11,901,904	12,098,455
TOTAL	1,207,577	954,137	11,925,375	14,087,089

Credit One Kuwait Holding Company for Commerce and Programmes K.S.C.
(Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

15 RISK MANAGEMENT (Continued)

Interest rate risk

The group is exposed to interest rate risk on its interest bearing liabilities (bank overdraft and interest bearing loans). The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the group's profit for one year/period, based on the floating rate financial liabilities held at 31 December 2007. There is no impact on equity.

	<i>Increase in basis points</i>	<i>Effect on profit</i>
2007	+50	137,750
2006	+50	53,250

Interest rate risk sensitivity to profit rate movements will be on a symmetric basis because financial instruments which can give rise to non-symmetric movement is not significant. The decrease in basis points will have the opposite effect on profit.

Market risk

Market risk is defined as the risk of losses in the value of on-or-off balance sheet financial instruments caused by a change in market prices or rates. The group is not significantly exposed to foreign currency risk because significant balances of assets and liabilities are denominated in Kuwaiti Dinars.

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 risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

16 KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES

The parent company calculated the contribution to Kuwait Foundation for the Advancement of Sciences in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries, directors' fees, transfer to statutory reserve and Zakat should be excluded from profit for the year when determining the contribution.

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of bank balances and cash, amounts due from related parties, other receivables and amount due under instalment credit agreements. Financial liabilities consist of bank overdraft, amounts due to related parties and interest bearing loans.

The fair value of financial instruments is not materially different from their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

18 CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006. Capital comprises of total equity less cumulative changes in fair values and is measured at KD 29,395,409 as at 31 December 2007 (2006: KD 19,002,980).

19 PERIOD COVERED BY CONSOLIDATED FINANCIAL STATEMENTS AND COMPARATIVE NOTES

The consolidated financial statements are for 12 months (1 January 2006 to 31 December 2007) as compared to 17 months and 7 days for the previous year (25 July 2005 to 31 December 2006).

Consequently, the comparative amounts stated in the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and related notes are not comparable.