

Credit One Kuwait Holding Company
K.S.C. (Closed) and its Subsidiary
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CREDIT ONE KUWAIT HOLDING COMPANY K.S.C. (CLOSED)

We have audited the accompanying consolidated financial statements of Credit One Kuwait Holding Company K.S.C. (Closed) ('the Parent Company') and its subsidiary (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008 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.

Management's Responsibility for the Consolidated Financial Statements

The management is 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 HOLDING COMPANY 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 2008 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 2008 that might have had a material effect on the business of the Parent Company or on its financial position.

A handwritten signature in black ink, appearing to be 'Waleed A. Al Osaيمي', written over a horizontal line.

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

28 April 2009

Kuwait

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	<i>Notes</i>	2008 KD	2007 KD
Income from instalment credit agreements		8,262,730	5,728,576
Finance cost		(2,388,468)	(1,457,395)
Net income		5,874,262	4,271,181
Murabaha income		1,215	18,891
Administrative expenses		(1,529,232)	(1,166,593)
Provision for doubtful debts	9	(1,055,537)	(161,583)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' FEES		3,290,708	2,961,896
Contribution to KFAS	3	(29,616)	(26,657)
Zakat	4	(32,907)	(1,810)
Directors' fees	5	(41,000)	(41,000)
PROFIT FOR THE YEAR	6	3,187,185	2,892,429
BASIC AND DILUTED EARNINGS PER SHARE	7	13.02 fils	11.87 fils

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

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

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 KD	2007 KD
ASSETS			
Non-current assets			
Furniture and equipment		100	55,491
Goodwill	8	5,875,738	5,875,738
Amount due under instalment credit agreements	9	36,151,667	33,080,359
		<u>42,027,505</u>	<u>39,011,588</u>
Current assets			
Amount due under instalment credit agreements	9	25,488,593	21,208,509
Other receivables		92,755	180,362
Murabaha receivables	10	-	417,170
Bank balances and cash	11	2,298,309	801,765
		<u>27,879,657</u>	<u>22,607,806</u>
TOTAL ASSETS		<u>69,907,162</u>	<u>61,619,394</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	20,000,000	25,000,000
Statutory reserve	13	782,272	453,201
Retained earnings		6,800,322	3,942,208
Total equity		<u>27,582,594</u>	<u>29,395,409</u>
Non-current liabilities			
Employees' end of service benefits		69,728	56,982
Current liabilities			
Account payables and accruals	14	8,104,840	4,388,936
Short term loans	15	34,150,000	27,550,000
Bank overdrafts	11	-	228,067
		<u>42,254,840</u>	<u>32,167,003</u>
Total liabilities		<u>42,324,568</u>	<u>32,223,985</u>
TOTAL EQUITY AND LIABILITIES		<u>69,907,162</u>	<u>61,619,394</u>



Mr. 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 K.S.C. (Closed) and its Subsidiary

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Note	2008 KD	2007 KD
OPERATING ACTIVITIES			
Profit for the year		3,187,185	2,892,429
Adjustments for:			
Realised gain on sale of available for sale investments		-	(824)
Depreciation		37,687	14,621
Impairment of furniture and equipment		150,870	-
Provision for employee's end of service benefits		12,851	45,516
		<u>3,388,593</u>	<u>2,951,742</u>
Working capital changes:			
Amount due under instalment credit agreements		(7,351,392)	(20,472,236)
Other receivables		87,607	(128,584)
Murabaha receivables		417,170	32,830
Account payables and accruals		3,715,904	2,036,008
Amounts due to related parties		-	(8,750,000)
Payment for employees' end of service benefits		(105)	(3,769)
		<u>257,777</u>	<u>(24,334,009)</u>
Net cash from (used in) operating activities			
INVESTING ACTIVITIES			
Purchase of furniture and fixtures		(133,166)	(39,413)
Proceeds from sale of available for sale investments		-	28,452
		<u>(133,166)</u>	<u>(10,961)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
(Reduction) proceeds from issue of share capital		(5,000,000)	7,475,000
Receipt of short term loans		12,100,000	16,900,000
Repayment of short term loans		(5,500,000)	-
		<u>1,600,000</u>	<u>24,375,000</u>
Net cash from financing activities			
INCREASE IN CASH AND CASH EQUIVALENTS		1,724,611	30,030
Cash and cash equivalents at the beginning of the year		573,698	543,668
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	<u><u>2,298,309</u></u>	<u><u>573,698</u></u>

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	<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>
Balance at 1 January 2008	25,000,000	453,201	-	3,942,208	29,395,409
Profit and total income for the year	-	-	-	3,187,185	3,187,185
Reduction of share capital (note 12)	(5,000,000)	-	-	-	(5,000,000)
Transfer to statutory reserve (note 13)	-	329,071	-	(329,071)	-
Balance at 31 December 2008	20,000,000	782,272	-	6,800,322	27,582,594
Balance at 1 January 2007	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 expense for the year recognised directly in equity	-	-	(115)	-	(115)
Profit for the year	-	-	-	2,892,429	2,892,429
Profit and total expense for the year	-	-	(115)	2,892,429	2,892,314
Issue of share capital	7,500,000	-	-	-	7,500,000
Transfer to statutory reserve	-	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 K.S.C. (Closed) and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

1 ACTIVITIES

The consolidated financial statements of Credit One Kuwait Holding Company K.S.C. (Closed) (the "Parent Company") and its subsidiary (the "Group") for the year ended 31 December 2008 were authorised for issue by the directors on 28 April 2009.

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

The Parent Company is principally engaged in investing activities. 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 have been prepared in accordance with International Financial Reporting Standards, and applicable requirements of Ministerial Order No. 18 of 1990. The consolidated financial statements are prepared under the historical cost convention.

The consolidated financial statements have been presented in Kuwaiti Dinars which is the functional currency of the Group.

The accounting policies are consistent with those used in the previous years.

New and revised International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) relevant to the Group issued at 31 December 2008, but not early adopted

IAS 1 Revised Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements. The application of this standard will result in amendments to the presentation of the consolidated financial statements.

IFRS 3 (Revised 2008) Business combinations and IAS 27 (Amended 2008) Consolidated and separate financial statements

IFRS 3 (Revised) and IAS 27 (Amended) was issued by the IASB board in January 2008 which will be effective for financial years beginning on or after 1 July 2009. The standard introduces changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported result. The new standard may require changes in the way the group discloses information about its goodwill recognised during acquisition.

Improvements to IFRSs

The IASB issued amendments to certain standards primarily with a view to removing inconsistencies and providing clarifications to those standards. The Group has not early adopted the following amendments to IFRSs and anticipates that these changes will have no material effect on the consolidated financial statements. The amendment to improvement in IFRSs comes into effect for annual reporting periods beginning on or after 1 January 2009.

IAS 8 Accounting Policies, Change in Accounting Estimates and Errors

Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary (together referred to as the "Group"), as Al-Sayer Facilities Company For General Trading and Contracting (Hazim Al-Mutairi and Partners) W.L.L. a wholly owned company incorporated in Kuwait and is engaged in motor vehicle financing.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances on a line by line basis.

Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. The results of the subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Revenue recognition

Interest income is recognised using the effective interest method. The calculation includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the interest rate, except allowance for future credit losses.

Commissions earned and paid are recognised at the time of recognition of the related interest income from instalment credit agreements.

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

Furniture and equipment

Furniture and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	5 to 10 years
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The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts being the higher of fair value less cost to sell and their value in use.

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of an acquisition over the Group's share of the acquiree's fair value of the net identifiable assets as at the date of the acquisition. Following initial recognition, goodwill is measured at cost less impairment losses. Any excess, at the date of acquisition, of the Group's share in the acquiree's fair value of the net identifiable assets over the cost of the acquisition is recognised in the consolidated income statement.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operations 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 associates or subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation difference and goodwill is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial instruments - classification, measurement, recognition, de-recognition and offsetting

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.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A regular way purchase and sale of financial assets is recognised using the trade date accounting. Regular way purchases are purchases of financial assets that require delivery of assets with the time frame generally established by regulation or convention in the market place. Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract.

Financial assets:

Financial assets include the following items:

Amount due under instalment credit agreements

Amount due under instalment credit agreements 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.

Other receivables

Other receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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.

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

Cash and cash equivalents comprise cash at bank and in hand.

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

Financial liabilities:

Financial liabilities include the following items:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - classification, measurement, recognition, de-recognition and offsetting (continued)

Short term loans

All loans are initially recognised at fair value, less directly attributable transaction costs. After initial recognition, they are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through amortisation process.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis so as to realise the assets and liabilities simultaneously.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or;
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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, the carrying value of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

- (a) for assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (b) for assets at carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

The Group assess whether objective evidence of impairment exists on an individual basis for each individual significant amount of receivable from customers and collectively for others. The main criteria that the Group uses to determine that there is objective evidence of an impairment include whether repayment of interest, principal or both are past due by more than 30 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)

The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Amount receivable from customers together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "provision for doubtful debts".

Renegotiated receivable from customers

Where considered appropriate, the Group seeks to restructure past due receivables. This may involve extending the payment arrangements and the agreement of new receivable conditions including enhancing collateral position. Management continuously reviews renegotiated receivables to ensure that all criteria are met and that future payments are likely to occur. The receivable continue to be subject to an individual or collective impairment assessment, calculated using the original effective interest rate.

Employees' end of service benefits

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

With respect to Kuwaiti employees, the Group makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Significant accounting judgement, estimates and assumptions

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates. The Group has used judgement and estimates principally in, but not limited to, the determination of impairment provisions of amount due under installment credit agreements. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Estimates and assumptions

Impairment provision of amount due under instalment credit agreements

The Group reviews its problem amounts receivable from customers on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

Useful lives of furniture and equipment

The Group's management determines the estimated useful lives of its furniture and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3 KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES

The Parent Company calculated the contribution to the Kuwait Foundation for the Advancement of Sciences (KFAS) 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. The KFAS charge calculated in accordance with these requirements is charged to the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

4 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.

5 DIRECTORS' FEES

Directors' fees of KD 41,000 (2007: KD 41,000) is within the amount permissible under local regulations and is subject to approval by the annual general assembly of the shareholders of the Parent Company.

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2008 KD	2007 KD
Staff costs	630,641	573,072
Depreciation	37,687	14,620
Impairment of furniture and equipment	150,870	-

7 BASIC AND DILUTED EARNINGS PER SHARE

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

There are no dilutive potential ordinary shares.

	2008	2007
Profit for the year (KD)	3,187,185	2,892,429
Weighted average number of ordinary shares outstanding (number)	244,794,521	243,750,000
Basic and diluted earnings per share	13.02 fils	11.87 fils

8 GOODWILL

Details of movement in goodwill are as follows:

	2008 KD	2007 KD
At the beginning of the year	5,875,738	5,496,209
Additions	-	379,529
At 31 December	5,875,738	5,875,738

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

8 GOODWILL (continued)

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.

9 AMOUNT DUE UNDER INSTALMENT CREDIT AGREEMENTS

	2008 KD	2007 KD
Gross amount due under instalment credit agreements	75,858,178	66,790,738
Less: Deferred instalment credit income	(10,779,630)	(10,119,119)
	<u>65,078,548</u>	<u>56,671,619</u>
Less: Provision for doubtful debts	(3,438,288)	(2,382,751)
	<u>61,640,260</u>	<u>54,288,868</u>
<i>Amounts due within a year:</i>		
Gross amount due under instalment credit agreements	33,877,336	26,540,992
Less: Deferred instalment credit income	(5,769,903)	(4,642,818)
	<u>28,107,433</u>	<u>21,898,174</u>
Less: Provision for doubtful debts	(2,618,840)	(689,665)
	<u>25,488,593</u>	<u>21,208,509</u>
<i>Amounts due within 1 to 5 years:</i>		
Gross amount due under instalment credit agreements	41,980,842	40,249,746
Less: Deferred instalment credit income	(5,009,727)	(5,476,301)
	<u>36,971,115</u>	<u>34,773,445</u>
Less: Provision for doubtful debts	(819,448)	(1,693,086)
	<u>36,151,667</u>	<u>33,080,359</u>

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

As at 31 December 2008, amount due under instalment credit agreements at nominal value of KD 3,438,288 (2007: KD 2,382,751) were impaired and provided for,

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

	2008 KD	2007 KD
At the beginning of the year	2,382,751	2,221,168
Charge for the year	1,055,537	161,583
At 31 December	<u>3,438,288</u>	<u>2,382,751</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

9 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	
2008	40,755,125	19,725,075	1,024,839	135,221	61,640,260
2007	40,311,095	13,471,526	413,149	93,098	54,288,868

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. The fair value of the collaterals is KD 75,915,903 (2007: KD 66,805,112).

10 MURABAHA RECEIVABLES

The average profit rate attributable to murabaha receivables during the year is 3.49% (2007: 3.35%) per annum.

11 CASH AND CASH EQUIVALENTS

	2008 KD	2007 KD
Bank balances	2,292,257	793,593
Cash in hand	6,052	8,172
Total bank balances and cash	2,298,309	801,765
Less : bank overdrafts	-	(228,067)
	<u>2,298,309</u>	<u>573,698</u>

12 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2008 KD	2007 KD	2008 KD	2007 KD
Shares of 100 fils each	<u>20,000,000</u>	<u>40,000,000</u>	<u>20,000,000</u>	<u>25,000,000</u>

On 23 November 2008, a general assembly meeting was held by the shareholders of the Parent Company and approved the reduction of authorised and issued share capital by 200 million shares and KD 5 million respectively.

13 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

13 STATUTORY RESERVE (continued)

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.

14 ACCOUNTS PAYABLES AND ACCRUALS

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Trade accounts payable	1,857,029	3,151,402
Accrued expenses and other payables	6,247,811	1,237,534
	<u>8,104,840</u>	<u>4,388,936</u>

15 SHORT TERM LOANS

The short term loans are denominated in Kuwaiti Dinars and carry interest at commercial rates of an average of 7% in 2008 (2007 : 7.25%) per annum and are repayable within one year from the balance sheet date.

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
The revolving loan is unsecured and matures within one year from 1 August 2008.	19,200,000	12,700,000
The revolving loan is secured against 125% securities on the receivables of the Group and matures within one year from 1 November 2008.	10,000,000	7,000,000
The revolving loan is secured against 125% securities on the receivables of the Group and matures within one year from 31 December 2008.	3,100,000	6,500,000
The revolving loan is unsecured and matures within one year from 1 October 2008	1,850,000	1,350,000
	<u>34,150,000</u>	<u>27,550,000</u>

The amount of undrawn loan commitments is KD 8,350,000 (2007: KD 14,450,000) and undrawn overdraft facilities is KD 2,025,000 (2007: KD 1,796,966).

16 RELATED PARTY TRANSACTIONS

Related parties represent shareholders 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 year as shown in the consolidated income statement. The Parent Company provides administration and other support services to the subsidiary for which no charge has been made to the subsidiary during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

16 RELATED PARTY TRANSACTIONS (continued)

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

	2008 KD	2007 KD
Finance cost	-	49,154
Administrative expenses	-	180,351

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

	2008 KD	2007 KD
Short-term benefits	384,307	314,597
Employees' of service benefits	7,346	2,778

17 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 interest 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.

It is, and has been throughout 2008 and 2007 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 exposed to credit risk on its bank balances, amount due under instalment credit agreements, murabaha receivables and other receivables as reflected in the consolidated balance sheet.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding amount due under instalment credit agreements. 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.

At the time of granting a facility the Group seeks to take into account all aspects of perceived risk and puts in place suitable measures to mitigate these risks. The credit assessment process is extensive and it includes assessment of the capacity to repay as reflected by the financial and other statements and willingness to meet commitments as assessed from past track record and trade references. The Group uses credit enhancement techniques to upgrade the quality of the facility being granted. Post disbursal, the receivables are monitored on a continuous basis both at macro and micro levels.

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, other receivables, murabaha receivables and amount due under instalment credit agreements, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

17 RISK MANAGEMENT (continued)

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 Group's 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:

2008	<i>Within 1 month</i>	<i>Within 3 months</i>	<i>3 to 12 months and above</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Accounts payable and accruals	1,441,470	5,615,556	1,047,814	8,104,840
Short term loans	2,060,882	2,332,876	33,563,013	37,956,771
TOTAL LIABILITIES	3,502,352	7,948,432	34,610,827	46,061,611
2007	<i>Within 1 month</i>	<i>Within 3 months</i>	<i>3 to 12 months and above</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Accounts payable and accruals	1,853,815	2,339,156	195,965	4,388,936
Short term loans	454,504	2,905,067	25,447,634	28,807,205
Bank overdrafts	228,067	-	-	228,067
TOTAL LIABILITIES	2,536,386	5,244,223	25,643,599	33,424,208

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing liabilities (bank overdraft and short term 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, based on the floating rate financial liabilities held at 31 December 2008. There is no impact on equity.

	<i>Increase in basis points</i>	<i>Effect on profit</i>
2008	+50	(170,750)
2007	+50	(137,750)

Interest rate risk sensitivity to interest 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

17 RISK MANAGEMENT (continued)

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.

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 2008 and 31 December 2007. Capital comprises of share capital, statutory reserves and retained earnings and is measured at KD 27,582,594 as at 31 December 2008 (2007: KD 29,395,409).

	<i>31 December 2008 KD</i>	<i>31 December 2007 KD</i>
Short term loans	34,150,000	27,550,000
Accounts payable and accruals	8,104,840	4,388,936
Less: Cash and cash equivalents	(2,298,309)	(801,765)
Net debt	39,956,531	31,137,171
Total capital	27,582,594	29,395,409
Gearing ratio	69%	94%

18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of the Group's assets and liabilities according to their expected span of recoverability or settlement from the balance sheet date:

	<i>Within 1 month KD</i>	<i>Within 3 months KD</i>	<i>4 to 12 months and above KD</i>	<i>Total KD</i>
2008				
ASSETS				
Furniture and equipment	-	-	100	100
Amount due under instalment credit agreements	2,936,781	5,685,404	53,018,075	61,640,260
Other receivables	3,587	34,863	54,305	92,755
Bank balances and cash	2,298,309	-	-	2,298,309
	<u>5,238,677</u>	<u>5,720,267</u>	<u>53,072,380</u>	<u>64,031,324</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	<i>Within 1 month KD</i>	<i>Within 3 months KD</i>	<i>4 to 12 months and above KD</i>	<i>Total KD</i>
2008				
LIABILITIES				
Employees' end of service benefits	-	-	69,728	69,728
Accounts payable and accruals	1,441,470	5,615,556	1,047,814	8,104,840
Short term loans	-	-	34,150,000	34,150,000
	<u>1,441,470</u>	<u>5,615,556</u>	<u>35,267,542</u>	<u>42,324,568</u>
Net liquidity gap	<u>3,797,207</u>	<u>104,711</u>	<u>17,804,838</u>	<u>21,706,756</u>
	<i>Within 1 month KD</i>	<i>Within 3 months KD</i>	<i>4 to 12 months and above KD</i>	<i>Total KD</i>
2007				
ASSETS				
Furniture and equipment	2,214	6,270	47,007	55,491
Amount due under instalment credit agreements	2,178,130	4,709,209	47,401,519	54,288,858
Other receivables	6,347	86,910	87,105	180,362
Murabaha receivables	417,170	-	-	417,170
Bank balances and cash	801,765	-	-	801,765
	<u>3,405,626</u>	<u>4,802,839</u>	<u>47,535,631</u>	<u>55,743,646</u>
LIABILITIES				
Employees' end of service benefits	-	-	56,982	56,982
Accounts payable and accruals	1,853,815	2,339,156	195,965	4,388,936
Short term loans	-	-	27,550,000	27,550,000
Bank overdrafts	228,067	-	-	228,067
	<u>2,081,882</u>	<u>2,339,156</u>	<u>27,802,947</u>	<u>32,223,985</u>
Net liquidity gap	<u>1,323,744</u>	<u>2,463,233</u>	<u>19,732,684</u>	<u>23,519,661</u>

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities. Financial assets consist of bank balances and cash, other receivables and amount due under instalment credit agreements. Financial liabilities consist of accounts payable and accruals and short term loans.

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