



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

31 DECEMBER 2013



Building a better
working world

**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 2013 and its financial performance and 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 Parent Company's 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 Companies Law No 25 of 2012, 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 Companies Law No 25 of 2012, nor of the Articles of Association have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Group or on its consolidated financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

12 March 2014
Kuwait

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
Finance income		9,884,609	9,133,493
Finance cost		(1,246,450)	(1,360,197)
Net finance income		8,638,159	7,773,296
Administrative expenses		(1,738,875)	(1,463,484)
Provision for doubtful debts	8	(2,182,184)	(2,061,373)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' FEES		4,717,100	4,248,439
Contribution to KFAS		(42,454)	(38,236)
Zakat		(49,645)	(43,003)
Directors' fees	16	(85,000)	(50,000)
PROFIT FOR THE YEAR		4,540,001	4,117,200
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6	4,540,001	4,117,200
BASIC AND DILUTED EARNINGS PER SHARE	7	23 fils	21 fils

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 KD	2012 KD
ASSETS			
Bank balances and cash		1,490,203	1,386,225
Other receivables		103,963	42,405
Amounts due under installment credit agreements	8	71,965,928	65,654,522
Property and equipment	9	1,594,484	1,156,370
Goodwill		5,875,738	5,875,738
TOTAL ASSETS		81,030,316	74,115,260
LIABILITIES AND EQUITY			
LIABILITIES			
Account payables and accruals	10	4,864,293	3,789,713
Payables under Islamic financing	11	34,999,000	19,850,000
Bank facilities	11	-	12,500,000
Employees' end of service benefits		504,467	252,992
Total liabilities		40,367,760	36,392,705
EQUITY			
Share capital	12	20,000,000	20,000,000
Statutory reserve	13	2,675,349	2,203,639
Retained earnings		17,987,207	15,518,916
Total equity		40,662,556	37,722,555
TOTAL LIABILITIES AND EQUITY		81,030,316	74,115,260

Mr. Mubarak Al Sayer
Chairman

Mr. Hazim A. Al Mutairi
Chief Executive Officer

The attached notes 1 to 20 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

For the year ended 31 December 2013

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Balance at 1 January 2013	20,000,000	2,203,639	15,518,916	37,722,555
Profit for the year	-	-	4,540,001	4,540,001
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	4,540,001	4,540,001
Transfer to statutory reserve	-	471,710	(471,710)	-
Dividends paid (Note 14)	-	-	(1,600,000)	(1,600,000)
Balance at 31 December 2013	20,000,000	2,675,349	17,987,207	40,662,556
Balance at 1 January 2012	20,000,000	1,778,795	13,226,560	35,005,355
Profit for the year	-	-	4,117,200	4,117,200
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	4,117,200	4,117,200
Transfer to statutory reserve	-	424,844	(424,844)	-
Dividends paid	-	-	(1,400,000)	(1,400,000)
Balance at 31 December 2012	20,000,000	2,203,639	15,518,916	37,722,555

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2013

	<i>Notes</i>	2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit for the year		4,540,001	4,117,200
Non cash adjustments to reconcile profit to net cash flows:			
Depreciation	9	9,565	9,015
Provision for employee's end of service benefits		281,651	55,704
Provision for doubtful debts	8	2,182,184	2,061,373
Bad debts written off	8	-	10,996
Finance cost		1,246,450	1,360,197
		8,259,851	7,614,485
Working capital adjustments:			
Amounts due under installment credit agreements		(8,493,590)	(8,948,345)
Other receivables		835	13,330
Account payables and accruals		1,233,846	(1,205,081)
Receipt of payables under Islamic financing		20,748,000	17,350,000
Repayment of payables under Islamic financing		(5,599,000)	-
Receipt of bank facilities		-	400,000
Repayment of bank facilities		(12,500,000)	(12,900,000)
Finance cost paid		(1,405,716)	(1,146,669)
Net cash flows from operation		2,244,226	1,177,720
Employees end of service benefits paid		(30,176)	(1,877)
Net cash flows from operating activities		2,214,050	1,175,843
INVESTING ACTIVITY			
Purchase of property and equipment		(510,072)	(17,628)
Net cash flows used in investing activity		(510,072)	(17,628)
FINANCING ACTIVITY			
Dividends paid	14	(1,600,000)	(1,400,000)
Net cash flows used in financing activity		(1,600,000)	(1,400,000)
INCREASE (DECREASE) IN BANK BALANCES AND CASH		103,978	(241,785)
Bank balances and cash at the beginning of the year		1,386,225	1,628,010
BANK BALANCES AND CASH AT THE END OF THE YEAR		1,490,203	1,386,225

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

1 CORPORATE INFORMATION AND 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 2013 were authorised for issue in accordance with a resolution of the board of directors on 12 March 2014. The shareholders have power to amend these consolidated financial statements at the annual general meeting.

The Parent Company is a Kuwaiti shareholding company registered in Kuwait on 25 July 2005 and is engaged in the following activities:

1. Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, financing to and managing of these companies and acting as a guarantor for these companies;
2. Financing money to companies in which it owns shares, guaranteeing them with third parties where the holding company owns 20% or more of the capital of the borrowing company;
3. Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait;
4. Owning real estate and moveable property to conduct its operations within the limits as stipulated by law;
5. Employing surplus funds available with the parent company by investing them in investment and real estate portfolios managed by specialised companies.

Its subsidiary is engaged in the provision of credit facilities to customers through sale on installments of goods and services.

The registered office of the Parent Company is located at Salhiya Complex, 3rd Floor, Gate 8, P.O. Box 97, Dasmah, 35151, Safat, Kuwait.

The new Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the "Decree").

The Executive Regulations of the new amended law issued on 29 September 2013 was published in the official Gazette on 6 October 2013. As per Article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company and the Group.

The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2013.

A Subsidiary is an enterprise which is controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Al-Sayer Facilities Company for General Trading and Contracting (Hazim Al-Mutairi and Partners) W.L.L. (Incorporated in Kuwait in 1999) engaged in the motor vehicle financing is a 99.99% owned subsidiary of the Parent Company.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. Under this method, the acquirer recognises, separately from goodwill, identifiable assets acquired, liabilities assumed and any non-controlling interests in the acquiree at the acquisition date.

The identifiable assets acquired and the liabilities assumed at the acquisition date are measured at fair values. For each business combination, the acquirer measures the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in "Net investment income".

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of comprehensive income.

Goodwill arising in a business combination is recognised as of the acquisition date as the excess of:

- (a) the aggregate of the consideration transferred, the fair value of any non-controlling interests in the acquiree measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over
- (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at their fair values.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of comprehensive income.

Goodwill is allocated to each of the group's cash-generating units or for groups of cash generating units and is tested annually for impairment and is assessed regularly whether there is any indication of impairment. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit to which goodwill relates. The recoverable value is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in the subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

Finance Income

Finance Income is recognised using the effective profit rate 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 profit rate, except allowance for future credit losses.

Finance cost

Finance costs on bank facilities are recognised as an expense in the consolidated statement of comprehensive income using effective interest/profit rate method.

Operating leases – company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of consolidated comprehensive income on a straight-line basis over the lease term.

Kuwait Foundation for the Advancement of Sciences (“KFAS”) and Zakat

KFAS and Zakat are provided for in accordance with the fiscal regulations in Kuwait.

Property and equipment

Property and equipment other than land is stated at cost less accumulated depreciation and any impairment in value. Land is carried at cost.

Depreciation of property and equipment other than land, which is not depreciated, is provided on a straight-line basis over their estimated useful lives as follows:

Furniture and fixture	5 - 10 years
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Expenditure incurred to replace a component of an item of property 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 property and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate and material, at each financial year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, except for reversal of impairment loss recognised for goodwill which is not reversed in a subsequent period, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

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

Classification

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

Recognition of financial assets and liabilities

The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell 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.

All financial assets are initially recognised at fair value plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. All financial assets and liabilities are initially measured at fair value of the consideration given plus transaction costs.

Measurement

All financial assets and liabilities are initially measured at fair value of the consideration given plus directly attributable transaction cost except for financial assets at fair value through profit and loss where such costs are expensed in the consolidated statement of comprehensive income.

Finances and receivables

Finances 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 profit method less any provision for impairment. In the consolidated statement of financial position, bank balances, other receivables and amounts due under installment credit agreements are classified as "finances and receivables".

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement (continued)

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 consolidated statement of financial position "Accounts payable and accruals", "Bank facilities" are classified as "financial liabilities other than at fair value through profit or loss".

Derecognition of financial assets and liabilities

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 Group 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 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. Where the Group 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 Group's continuing involvement in the asset.

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

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated if such evidence exists, any impairment loss, is recognised in consolidated statement of comprehensive 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 amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.
- (c) for assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income.

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 profit, principal or both are past due by more than 90 days or there are any known difficulties in the cash flows including the breach of original terms of the contract and its ability to improve performance once a financial difficulty has arisen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

2.2 SUMMARY OF 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, it is included in the consolidated statement of comprehensive income.

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.

Accounts payable

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

Payables under Islamic financing

The Group's obligations under Islamic financing are carried in the consolidated statement of financial position at their principal amount net of unamortised finance costs. Finance costs are amortised over the period of the facility using the effective rate of return method.

Bank facilities

All Bank facilities are carried on the consolidated statement of financial position at their principal amount. Profit is charged using the effective profit method as an expense, with unpaid amounts included in 'accounts payable and accruals'.

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 national employees, the Group makes contributions to Public Institution 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.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended IASB Standards:

IAS 1: Presentation of Items of Other Comprehensive Income (Amendment)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard has no effect on the financial position or performance of the Group and only resulted in presentation changes in statement of comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 7: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendment)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard did not have any material impact on the consolidated financial statements of the Group.

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the Group, compared with the requirements that were in IAS 27. The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Once control is established, the standard requires the Group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. This resulted in change in accounting policy for "basis for consolidation" as described in above.

IFRS 12: Disclosure of Involvement with Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. The adoption of this standard did not have any material impact on the consolidated financial statements of the Group.

IFRS 13: Fair Value Measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. The adoption of this standard has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Other amendments to IFRS effective as of 1 January 2013 did not have any impact on the financial position or performance of the Group.

4 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 and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income. The Group has used judgement and estimates principally in, but not limited to the following:

Impairment provision of balances due under installment credit agreements

The Group reviews its due balances under installment credit agreements on a monthly basis to assess whether a provision for impairment is required. In particular, considerable involvement by management is required in the

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of goodwill

The Group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property 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.

Impairment of property and equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value which would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

5 STANDARDS ISSUED BUT NOT EFFECTIVE

The following IASB standards relevant to the Group have been issued but are not yet mandatory, and have not yet been adopted by the Group:

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments: Classification and Measurement

The standard was issued in November 2009. However, at the IASB meeting in July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 to be left open. The standard improves the ability of the users of the financial statement to assess the amount, timing, and uncertainty of future cash flows of the entity by replacing many financial instrument classification categories, measurement, and associated impairment methods.

Additional disclosures will be made in the financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its financial position or performance.

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2013 KD	2012 KD
Staff costs	1,472,551	1,234,809
Rentals – operating leases	51,440	58,690

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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.

	2013	2012
Profit for the year (KD)	4,540,001	4,117,200
Weighted average number of ordinary shares outstanding (number)	200,000,000	200,000,000
Basic and diluted earnings per share	23 Fils	21 Fils

8 AMOUNTS DUE UNDER INSTALLMENT CREDIT AGREEMENTS

	2013 KD	2012 KD
Gross amounts due under installment credit agreements	97,462,712	87,164,048
Less: Deferred installment credit income	(12,664,424)	(10,859,350)
	84,798,288	76,304,698
Less: Provision for doubtful debts	(12,832,360)	(10,650,176)
	71,965,928	65,654,522
<i>Amount due within a year:</i>		
Gross amounts due under installment credit agreements	54,970,239	50,436,643
Less: Deferred installment credit income	(7,230,724)	(6,445,246)
	47,739,515	43,991,397
Less: Provision for doubtful debts	(11,323,764)	(9,587,991)
	36,415,751	34,403,406
<i>Amount due within 1 to 5 years:</i>		
Gross amounts due under installment credit agreements	42,492,473	36,727,405
Less: Deferred installment credit income	(5,433,700)	(4,414,104)
	37,058,773	32,313,301
Less: Provision for doubtful debts	(1,508,596)	(1,062,185)
	35,550,177	31,251,116

The amounts due under installment credit agreements are at fixed rates of return.

As at 31 December 2013, amounts due under installment credit agreements at nominal value of KD 15,048,924 (2012: KD 11,553,382) were considered impaired (being over three installments due) and provided for.

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8 AMOUNTS DUE UNDER INSTALLMENT CREDIT AGREEMENTS (continued)

Movement in the provision for impairment of amounts due under installment credit agreements are as follows:

	2013 KD	2012 KD
At the beginning of the year	10,650,176	8,599,799
Charge for the year	2,182,184	2,061,373
Write off during the year	-	(10,996)
At the end of the year	<u>12,832,360</u>	<u>10,650,176</u>

The analysis of amounts due under installment credit agreements that were not impaired are as follows:

	Neither past due nor impaired KD	Past due but not impaired (within three installments due) KD	Total KD
2013	49,001,944	20,747,420	69,749,364
2012	43,392,792	21,358,524	64,751,316

9 PROPERTY AND EQUIPMENT

	Land KD	Furniture and fixtures KD	Capital work in progress KD	Total KD
Cost:				
At 1 January 2013	1,100,000	308,811	36,518	1,445,329
Additions	-	4,606	443,073	447,679
At 31 December 2013	<u>1,100,000</u>	<u>313,417</u>	<u>479,591</u>	<u>1,893,008</u>
Depreciation :				
At 1 January 2013	-	288,959	-	288,959
Depreciation charge for the year	-	9,565	-	9,565
At 31 December 2013	<u>-</u>	<u>298,524</u>	<u>-</u>	<u>298,524</u>
Net carrying amount:				
At 31 December 2013	<u>1,100,000</u>	<u>14,893</u>	<u>479,591</u>	<u>1,594,484</u>

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9 PROPERTY AND EQUIPMENT (continued)

	<i>Land KD</i>	<i>Furniture and fixtures KD</i>	<i>Capital work in progress KD</i>	<i>Total KD</i>
Cost:				
At 1 January 2012	1,100,000	299,376	28,325	1,427,701
Additions	-	9,435	8,193	17,628
At 31 December 2012	1,100,000	308,811	36,518	1,445,329
Depreciation :				
At 1 January 2012	-	279,944	-	279,944
Depreciation charge for the year	-	9,015	-	9,015
At 31 December 2012	-	288,959	-	288,959
Net carrying amount:				
At 31 December 2012	1,100,000	19,852	36,518	1,156,370

10 ACCOUNTS PAYABLES AND ACCRUALS

	<i>2013 KD</i>	<i>2012 KD</i>
Trade accounts payable	1,257,654	856,328
Accrued expenses and other payables	573,622	601,819
Amount due to related parties (Note 16)	3,033,017	2,331,566
	<u>4,864,293</u>	<u>3,789,713</u>

11 PAYABLES UNDER ISLAMIC FINANCING AND BANK FACILITIES

a) Payables under Islamic financing

Payables under Islamic financing are denominated in Kuwaiti Dinars and carry profit at commercial rate and are repayable within one year from the reporting date.

Payables under Islamic financing of KD 34,999,000 (2012: KD 19,850,000) are secured against the amounts due under installment credit agreements of KD 43,173,750 (2012: KD 24,337,500).

b) Bank facilities

Bank facilities are revolving facilities which are denominated in Kuwaiti Dinars and carry interest at commercial rates and are repayable within one year from the reporting date.

Bank facilities of KD Nil (2012: 12,500,000) are guaranteed against the amounts due under installment credit agreements of KD Nil (2012: KD 15,625,000).

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12 SHARE CAPITAL

	<i>Authorised, issued and fully paid-up</i>	
	<i>2013</i> <i>KD</i>	<i>2012</i> <i>KD</i>
Shares of 100 fils each, paid in cash	<u>20,000,000</u>	<u>20,000,000</u>

13 STATUTORY RESERVE

In accordance with the 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.

14 DIVIDEND

For the year ended 31 December 2013, a cash dividend of KD 0.009 per share has been proposed by the board of directors and will be submitted for formal approval at the Annual General Meeting. This dividend (totalling KD 1,800,000) has not been recognised as a liability as at 31 December 2013.

Cash dividend of KD 0.008 per share (totalling to KD 1,600,000) proposed by the board of directors for the year ended 31 December 2012 was approved at Annual General Assembly of shareholders on 28 March 2013.

15 EXPENDITURE COMMITMENTS

	<i>2013</i> <i>KD</i>	<i>2012</i> <i>KD</i>
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property and equipment	<u>659,733</u>	<u>7,500</u>
Operating lease commitments		
Future minimum lease payments:		
Not later than one year	<u>47,796</u>	<u>47,796</u>

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16 RELATED PARTY TRANSACTIONS

Related parties represent shareholders of the Parent Company and key management personnel of the Group, entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the statement of comprehensive income are as follows:

	2013 KD	2012 KD
<i>Transactions with shareholders of the Parent Company</i>		
Finance costs	614,168	755,105

Balances with related parties included in the consolidated statement of financial position are as follows:

	2013 KD	2012 KD
Assets		
Bank balances and cash	410,911	751,754
Liabilities		
Bank facilities	-	12,500,000
Amount due to related parties	3,033,017	2,331,566

Amount due to related parties are repayable on demand and are free of any finance charge.

Directors' fees of KD 85,000 for the year ended 31 December 2013 is subject to approval at the Annual General Meeting of shareholders. Directors' fees of KD 50,000 for the year ended 31 December 2012 was approved at the Annual General Meeting of shareholders on 28 March 2013.

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

	2013 KD	2012 KD
Director's fees	85,000	50,000
Salaries and short-term benefits	379,607	457,867
Employees' end of service benefits	129,283	18,778
	<u>593,890</u>	<u>526,645</u>

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17 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	<i>On demand KD</i>	<i>Up to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>One year and above KD</i>	<i>Total KD</i>
At 31 December 2013					
ASSETS					
Bank balance and cash	-	1,490,203	-	-	1,490,203
Other receivables	-	-	103,963	-	103,963
Amounts due under installment credit agreements	-	13,807,960	22,607,791	35,550,177	71,965,928
Property and equipment	-	-	-	1,594,484	1,594,484
Goodwill	-	-	-	5,875,738	5,875,738
	<u>-</u>	<u>15,298,163</u>	<u>22,711,754</u>	<u>43,020,399</u>	<u>81,030,316</u>
LIABILITIES					
Accounts payable and accruals	3,033,017	1,256,645	574,631	-	4,864,293
Payables under Islamic financing	-	23,050,000	11,949,000	-	34,999,000
Employees' end of service benefits	-	-	-	504,467	504,467
	<u>3,033,017</u>	<u>24,306,645</u>	<u>12,523,631</u>	<u>504,467</u>	<u>40,367,760</u>
	<i>On demand KD</i>	<i>Up to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>One year and above KD</i>	<i>Total KD</i>
At 31 December 2012					
ASSETS					
Bank balance and cash	-	1,386,225	-	-	1,386,225
Other receivables	-	-	42,405	-	42,405
Amounts due under installment credit agreements	-	12,741,152	21,662,254	31,251,116	65,654,522
Property and equipment	-	-	-	1,156,370	1,156,370
Goodwill	-	-	-	5,875,738	5,875,738
	<u>-</u>	<u>14,127,377</u>	<u>21,704,659</u>	<u>38,283,224</u>	<u>74,115,260</u>
LIABILITIES					
Accounts payable and accruals	2,331,566	856,328	601,819	-	3,789,713
Payables under Islamic financing	-	11,500,000	8,350,000	-	19,850,000
Bank facilities	-	12,500,000	-	-	12,500,000
Employees' end of service benefits	-	-	-	252,992	252,992
	<u>2,331,566</u>	<u>24,856,328</u>	<u>8,951,819</u>	<u>252,992</u>	<u>36,392,705</u>

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18 RISK MANAGEMENT

The Group's principal financial liabilities comprise of payables under Islamic financing, bank facilities and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has amount due under installment credit agreement and bank balance and cash that arrive directly from its operations.

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 main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest/profit rate risk and foreign currency risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2013 and 31 December 2012. The management reviews and agrees policies for managing each of these risks which are summarised below:

18.1 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. Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the date of statement of financial position.

The Group is exposed to credit risk on its operating activities primarily from its bank balances, amounts due under installment credit agreements and other receivables as reflected in the consolidated statement of financial position.

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 amounts due under installment credit agreements. The 10 largest customers outstanding as a percentage of gross receivable from customers as at 31 December 2013 is 21% (2012: 23%). The maximum exposure is the carrying amount disclosed in Note 8.

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. Post disbursal, the receivables are monitored on a continuous basis both at macro and micro levels.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Group normally holds the underlying assets like motor vehicles as collaterals by way of hypothecation.

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amounts of these instruments.

18.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by ensuring bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments. The Group's terms of business generally require amounts to be paid in installments as per the contractual agreements. It is the Group's policy to obtain short term bank facilities that matures within the next 12 month period with a renewal option at both parties' discretion.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligation and management expectations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest/profit payments and management realisation expectations over the life of these financial liabilities.

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18 RISK MANAGEMENT (continued)

18.2 Liquidity risk

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates.

At 31 December 2013	On demand KD	1 to 3 months KD	4 to 12 months KD	Total KD
Accounts payable and accruals	3,033,017	1,256,645	574,631	4,864,293
Payables under Islamic financing	-	23,355,766	12,103,790	35,459,556
TOTAL UNDISCOUNTED LIABILITIES	3,033,017	24,612,411	12,678,421	40,323,849
At 31 December 2012	On demand KD	1 to 3 months KD	4 to 12 months KD	Total KD
Accounts payable and accruals	2,331,566	856,328	601,819	3,789,713
Payables under Islamic financing	-	11,753,643	8,504,569	20,258,212
Bank facilities	-	12,610,188	-	12,610,188
TOTAL UNDISCOUNTED LIABILITIES	2,331,566	25,220,159	9,106,388	36,658,113

18.3 Interest/profit rate risk

Interest/profit rate risk arises from the possibility that changes in interest/profit rates will affect future profitability or the fair values of financial instruments.

The Group is exposed to interest/profit rate risk on its interest/profit bearing liabilities.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest/profit rates for bank facilities, with all other variables held constant.

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

	Increase /decrease in basis points	Effect on profit KD
2013	50	-
2012	50	62,500

Payables under Islamic financing disclosed in the consolidated statement of financial position are fixed profit bearing financial instruments and hence not exposed to profit rate risk.

Interest/profit rate risk sensitivity to interest/profit rate movements will be on a symmetric basis as financial instruments which that give rise to non-symmetric movement is not significant.

18.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group is not exposed to any currency risk as significant portion of its financial instruments are denominated in Kuwaiti Dinar.

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19 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 shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. Capital comprises of share capital, statutory reserves and retained earnings and is measured at KD 40,662,556 as at 31 December 2013 (2012: KD 37,722,555).

	2013 KD	2012 KD
Accounts payable and accruals	4,864,293	3,789,713
Payable under Islamic financing	34,999,000	19,850,000
Bank facilities	-	12,500,000
Less: Bank balance and cash	(1,490,203)	(1,386,225)
Net debt	38,373,090	34,753,488
Total capital	40,662,556	37,722,555
Gearing ratio	94%	92%

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of bank balances and cash, other receivables and amounts due under installment credit agreements. Financial liabilities consist of accounts payable and accruals and payables under Islamic financing.

Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair values.

The fair values of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.