

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

31 DECEMBER 2015

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Credit One Kuwait Holding Company K.S.C. (Closed) ("the Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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.



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**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 2015 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 as amended and its executive regulations, and by the Parent Company's Memorandum of Incorporation and 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 as amended and its executive regulations, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 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

9 March 2016
Kuwait

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Finance income		11,792,529	10,904,975
Finance cost		(1,506,256)	(1,393,896)
Net finance income		<u>10,286,273</u>	<u>9,511,079</u>
Administrative expenses		(2,557,565)	(1,845,721)
Provision for doubtful debts	8	<u>(1,473,082)</u>	<u>(2,436,859)</u>
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' FEES		6,255,626	5,228,499
Contribution to KFAS		(56,414)	(47,056)
Zakat		(63,659)	(53,552)
Directors' fees		<u>(85,000)</u>	<u>(85,000)</u>
PROFIT FOR THE YEAR		6,050,553	5,042,891
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,050,553	5,042,891
BASIC AND DILUTED EARNINGS PER SHARE	7	30 fils	25 fils

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 FINANCIAL POSITION

At 31 December 2015

	Notes	2015 KD	2014 KD
ASSETS			
Bank balances and cash		957,829	917,984
Other receivables		21,918	73,468
Amounts due under instalment credit agreements	8	90,662,637	77,585,842
Property and equipment	9	2,357,079	2,567,420
Goodwill		5,875,738	5,875,738
TOTAL ASSETS		99,875,201	87,020,452
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals	10	4,108,089	3,986,309
Payables under Islamic financing	11	47,081,800	38,499,000
Employees' end of service benefits		729,312	629,696
Total liabilities		51,919,201	43,115,005
EQUITY			
Share capital	12	20,000,000	20,000,000
Statutory reserve	13	3,823,762	3,198,199
Retained earnings		24,132,238	20,707,248
Total equity		47,956,000	43,905,447
TOTAL LIABILITIES AND EQUITY		99,875,201	87,020,452


Mr. Mubarak Al Sayer
Chairman


Mr. Hazim A. Al Mutairi
Chief Executive Officer

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Balance at 1 January 2015	20,000,000	3,198,199	20,707,248	43,905,447
Profit for the year	-	-	6,050,553	6,050,553
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	6,050,553	6,050,553
Transfer to statutory reserve	-	625,563	(625,563)	-
Dividends paid (Note 14)	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2015	20,000,000	3,823,762	24,132,238	47,956,000
Balance at 1 January 2014	20,000,000	2,675,349	17,987,207	40,662,556
Profit for the year	-	-	5,042,891	5,042,891
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	5,042,891	5,042,891
Transfer to statutory reserve	-	522,850	(522,850)	-
Dividends paid (Note 14)	-	-	(1,800,000)	(1,800,000)
Balance at 31 December 2014	20,000,000	3,198,199	20,707,248	43,905,447

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 CASHFLOW

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit for the year		6,050,553	5,042,891
Non cash adjustments to reconcile profit to net cash flows:			
Depreciation	9	524,952	7,620
Provision for employee's end of service benefits		146,829	127,779
Provision for doubtful debts	8	1,473,082	2,436,859
Provision for doubtful debts written-off	8	(3,730)	(1,215)
Finance cost		1,506,256	1,393,896
		<u>9,697,942</u>	<u>9,007,830</u>
Working capital adjustments:			
Amounts due under installment credit agreements		(14,546,147)	(8,055,558)
Other receivables		51,550	(31,899)
Account payables and accruals		117,967	(999,322)
Receipt of payables under Islamic financing		46,025,224	17,647,500
Repayment of payables under Islamic financing		(37,442,424)	(14,147,500)
Finance cost paid		(1,502,443)	(1,272,557)
Net cash flows from operation		<u>2,401,669</u>	<u>2,148,494</u>
Employees end of service benefits paid		(47,213)	(2,550)
Net cash flows from operating activities		<u>2,354,456</u>	<u>2,145,944</u>
INVESTING ACTIVITY			
Purchase of property and equipment	9	(314,611)	(918,164)
Net cash flows used in investing activity		<u>(314,611)</u>	<u>(918,164)</u>
FINANCING ACTIVITY			
Dividends paid	14	(2,000,000)	(1,800,000)
Net cash flows used in financing activity		<u>(2,000,000)</u>	<u>(1,800,000)</u>
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		<u>39,845</u>	<u>(572,220)</u>
Bank balances and cash at the beginning of the year		917,984	1,490,204
BANK BALANCES AND CASH AT THE END OF THE YEAR		<u>957,829</u>	<u>917,984</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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 2015 were authorised for issue in accordance with a resolution of the board of directors on 15 March 2016. 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 instalments of goods and services.

The registered office of the Parent Company is located at 3d Shuwaikh Industrial area, Building 170, P.O. Box 2220, Safat 13023, Kuwait.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016. This cancelled the Companies Law No 25 of 2012 and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012, and the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulations is issued.

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 2015.

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

2.1 BASIS OF PREPARATION

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Name of the company	Effective Ownership		Activities
	2015	2014	
Al-Sayer Facilities Company for General Trading and Contracting (Hazim Al-Mutairi and Partners) W.L.L.	100%	100%	Motor vehicle financing

Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
 - Derecognises the carrying amount of any non-controlling interests
 - Derecognises the cumulative translation differences recorded in equity
 - Recognises the fair value of the consideration received
 - Recognises the fair value of any investment retained
 - Recognises any surplus or deficit in profit or loss
 - Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.
- If the Group loses control over a subsidiary, it derecognizes the related assets including goodwill, liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

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.

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.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – Group 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)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve and accumulated losses brought forward should be excluded from profit for the year when determining the contribution.

Zakat

Contribution to Zakat is calculated in accordance with the requirements of Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Property and equipment

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value, if any. Land and capital work in progress are carried at cost.

Capital work in progress is stated at cost. Following completion, work in progress is transferred into the relevant class of property, plant and equipment.

Depreciation of furniture and equipment 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.

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.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2015

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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 instalment credit agreements are classified as "finances and receivables".

Financial liabilities other than at fair value through profit or loss

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortised cost using the effective yield method. In the 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".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Employees' end of service benefits

The Group provides end of service benefits to its 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 amended and improved IASB Standards effective from 1 January 2015:

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (amendment)

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The amendment has not resulted in any impact on the financial position or performance of the Group.

IAS 24 Related Party Disclosures (amendment)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has not resulted in any impact on the financial position or performance of the Group.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13. The amendment has not resulted in any impact on the financial position or performance of the Group.

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3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IAS 40 Investment Property (amendment)

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. The amendment has not resulted in any impact on the financial position or performance of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

Annual improvement for 2010 – 2012 and 2011 – 2013 cycles which are effective from 1 July 2014 are not expected to have a material impact on the Group.

4 STANDARDS ISSUED BUT NOT EFFECTIVE

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IAS 1 Disclosure Initiative (Amendment)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1
- that specific line items in the consolidated statement of comprehensive income and the consolidated statement of financial position may be disaggregated
- that entities have flexibility as to the order in which they present the notes to consolidated financial statements
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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4 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

IAS 1 Disclosure Initiative (Amendment) (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the consolidated statement of comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

The Group intends to adopt these standards and amendments when they become effective. However, the Group expects no material impact from the adoption of the amendments on its financial position or performance.

5 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS 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 instalment credit agreements

The Group reviews its due balances under instalment credit agreements on a monthly basis to assess whether a provision for impairment is required. 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.

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.

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6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2015 KD	2014 KD
Staff costs	1,621,304	1,421,566
Rentals – operating leases	26,595	49,590

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.

	2015	2014
Profit for the year (KD)	6,050,553	5,042,891
Weighted average number of ordinary shares outstanding (number)	200,000,000	200,000,000
Basic and diluted earnings per share	30 fils	25 fils

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8 AMOUNTS DUE UNDER INSTALLMENT CREDIT AGREEMENTS

	2015 KD	2014 KD
Gross amounts due under instalment credit agreements	123,501,193	106,390,033
Less: Deferred instalment credit income	(16,101,200)	(13,536,187)
	<u>107,399,993</u>	<u>92,853,846</u>
Less: Provision for doubtful debts	(16,737,356)	(15,268,004)
	<u>90,662,637</u>	<u>77,585,842</u>
<i>Amount due within a year:</i>		
Gross amounts due under instalment credit agreements	68,179,210	60,240,220
Less: Deferred instalment credit income	(9,197,075)	(7,876,564)
	<u>58,982,135</u>	<u>52,363,656</u>
Less: Provision for doubtful debts	(14,442,720)	(13,862,758)
	<u>44,539,415</u>	<u>38,500,898</u>
<i>Amount due within 1 to 5 years:</i>		
Gross amounts due under instalment credit agreements	55,321,983	46,149,813
Less: Deferred instalment credit income	(6,904,125)	(5,659,623)
	<u>48,417,858</u>	<u>40,490,190</u>
Less: Provision for doubtful debts	(2,294,636)	(1,405,246)
	<u>46,123,222</u>	<u>39,084,944</u>

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

As at 31 December 2015, amounts due under instalment credit agreements at nominal value of KD 20,327,872 (2014: KD 15,762,089) were considered impaired (being over three instalments due) and provided for.

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

	2015 KD	2014 KD
At the beginning of the year	15,268,004	12,832,360
Charge for the year	1,473,082	2,436,859
Written off during the year	(3,730)	(1,215)
At the end of the year	<u>16,737,356</u>	<u>15,268,004</u>

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

	Neither past due nor impaired KD	Past due but not impaired (within three instalments due) KD	Total KD
2015	44,528,223	42,543,898	87,072,121
2014	50,792,446	26,299,311	77,091,757

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9 PROPERTY AND EQUIPMENT

	<i>Land KD</i>	<i>Building KD</i>	<i>Furniture and fixtures KD</i>	<i>Capital work in progress KD</i>	<i>Total KD</i>
Cost:					
At 1 January 2015	1,100,000	-	316,603	1,456,961	2,873,564
Additions/ (Transfers)	4,325	1,257,818	509,429	(1,456,961)	314,611
At 31 December 2015	1,104,325	1,257,818	826,032	-	3,188,175
Depreciation :					
At 1 January 2015	-	-	306,144	-	306,144
Depreciation charge for the year	-	301,333	223,619	-	524,952
At 31 December 2015	-	301,333	529,763	-	831,096
Net carrying amount:					
At 31 December 2015	<u>1,104,325</u>	<u>956,485</u>	<u>296,269</u>	<u>-</u>	<u>2,357,079</u>
	<i>Land KD</i>	<i>Building KD</i>	<i>Furniture and fixtures KD</i>	<i>Capital work in progress KD</i>	<i>Total KD</i>
Cost:					
At 1 January 2014	1,100,000	-	313,417	479,591	1,893,008
Additions	-	-	3,186	977,370	980,556
At 31 December 2014	1,100,000	-	316,603	1,456,961	2,873,564
Depreciation :					
At 1 January 2014	-	-	298,524	-	298,524
Depreciation charge for the year	-	-	7,620	-	7,620
At 31 December 2014	-	-	306,144	-	306,144
Net carrying amount:					
At 31 December 2014	<u>1,100,000</u>	<u>-</u>	<u>10,459</u>	<u>1,456,961</u>	<u>2,567,420</u>

10 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2015 KD</i>	<i>2014 KD</i>
Trade accounts payable	711,339	1,184,524
Accrued expenses and other payables	889,518	849,608
Amount due to related parties (Note 16)	2,507,232	1,952,177
	<u>4,108,089</u>	<u>3,986,309</u>

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11 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 47,081,800 (2014: KD 38,499,000) are secured against the amounts due under instalment credit agreements of KD 57,910,614 (2014: KD 47,311,250).

12 SHARE CAPITAL

	<i>Authorised, issued and fully paid-up</i>	
	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>
200,000,000 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 2015, a cash dividend of 11 fils 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 2,200,000) has not been recognised as a liability as at 31 December 2015.

Cash dividend of 10 fils per share (totalling to KD 2,000,000) proposed by the Parent Company's Board of Directors for the year ended 31 December 2014 was approved by the shareholders at the Annual General Meeting of shareholders on 18 February 2015 and paid subsequently.

15 EXPENDITURE COMMITMENTS

	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property and equipment	<u>27,973</u>	<u>237,286</u>
Operating lease commitments		
Future minimum lease payments:		
Not later than one year	<u>2,400</u>	<u>23,898</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.

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

	<i>Shareholders</i> <i>KD</i>	<i>Other related</i> <i>parties</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Assets				
Bank balances and cash	210,256	-	210,256	250,826
Liabilities				
Amount due to related parties	-	2,507,232	2,507,232	1,952,177

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 2015 is subject to approval at the Annual General Meeting of shareholders. Directors' fees of KD 85,000 for the year ended 31 December 2014 was approved at the Annual General Meeting of shareholders on 18 February 2015.

Key management personnel compensation:

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Director's fees	85,000	85,000
Salaries and short-term benefits	424,524	397,179
Employees' end of service benefits	76,464	31,089
	<u>585,988</u>	<u>513,268</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>
As at 31 December 2015					
ASSETS					
Bank balance and cash	957,829	-	-	-	957,829
Other receivables	-	-	21,918	-	21,918
Amounts due under installment credit agreements	-	15,701,890	28,837,524	46,123,223	90,662,637
Property and equipment	-	-	-	2,357,079	2,357,079
Goodwill	-	-	-	5,875,738	5,875,738
	<u>-</u>	<u>16,659,719</u>	<u>28,859,442</u>	<u>54,356,040</u>	<u>99,875,201</u>
LIABILITIES					
Accounts payable and accruals	1,928,356	1,423,557	756,176	-	4,108,089
Payables under Islamic financing	-	11,995,900	35,085,900	-	47,081,800
Employees' end of service benefits	-	-	-	729,312	729,312
	<u>1,928,356</u>	<u>13,419,457</u>	<u>35,842,076</u>	<u>729,312</u>	<u>51,919,201</u>
As at 31 December 2014					
ASSETS					
Bank balance and cash	917,984	-	-	-	917,984
Other receivables	-	-	73,468	-	73,468
Amounts due under instalment credit agreements	-	15,264,272	23,236,626	39,084,944	77,585,842
Property and equipment	-	-	-	2,567,420	2,567,420
Goodwill	-	-	-	5,875,738	5,875,738
	<u>-</u>	<u>16,182,256</u>	<u>23,310,094</u>	<u>47,528,102</u>	<u>87,020,452</u>
LIABILITIES					
Accounts payable and accruals	1,952,177	1,184,524	849,608	-	3,986,309
Payables under Islamic financing	-	11,800,000	26,699,000	-	38,499,000
Employees' end of service benefits	-	-	-	629,696	629,696
	<u>1,952,177</u>	<u>12,984,524</u>	<u>27,548,608</u>	<u>629,696</u>	<u>43,115,005</u>

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18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 2015 and 31 December 2014. 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 2015 is 18% (2014: 18%). 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 disbursement, 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.

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 payable under Islamic financing 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 instalments as per the contractual agreements. It is the Group's policy to obtain short term payable under Islamic financing 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 profit payments and management realisation expectations over the life of these financial liabilities.

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18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.2 Liquidity risk

At 31 December 2015	<i>On Demand KD</i>	<i>1 to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>Total KD</i>
Accounts payable and accruals	1,928,356	1,423,558	756,175	4,108,089
Payables under Islamic financing	-	12,420,834	35,585,216	48,006,050
TOTAL UNDISCOUNTED LIABILITIES	1,928,356	13,844,392	36,341,391	52,114,139

At 31 December 2014	<i>On demand KD</i>	<i>1 to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>Total KD</i>
Accounts payable and accruals	1,952,177	1,184,524	849,608	3,986,309
Payables under Islamic financing	-	12,137,998	27,127,459	39,265,457
TOTAL UNDISCOUNTED LIABILITIES	1,952,177	13,322,522	27,977,067	43,251,766

18.3 Profit rate risk

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

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.

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.

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 2015 and 31 December 2014. Total equity comprises of share capital, statutory reserves and retained earnings and is measured at KD 47,956,000 as at 31 December 2015 (2014: KD 43,905,447).

	<i>2015 KD</i>	<i>2014 KD</i>
Accounts payable and accruals	4,108,089	3,986,309
Payable under Islamic financing	47,081,800	38,499,000
Less: Bank balance and cash	(957,829)	(917,984)
Net debt	50,232,060	41,567,325
Total equity	47,956,000	43,905,447
Capital and net debt	98,188,060	85,472,772
Gearing ratio	51%	49%

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20 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of bank balances, other receivables and amounts due under instalment 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.