



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

31 DECEMBER 2017



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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the 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 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

Report on Other Legal and Regulatory Requirements

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.1 of 2016, as amended, and its executive regulations, as amended, 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.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI

LICENCE NO. 68 A

EY

(AL-AIBAN, AL-OSAIMI & PARTNERS)

27 March 2018

Kuwait

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Finance income		15,608,865	13,696,717
Finance cost		(2,488,889)	(1,962,120)
Net finance income		13,119,976	11,734,597
Administrative expenses		(2,459,225)	(2,369,853)
Impairment of trading property		(42,000)	-
Provision for doubtful debts	7	(4,226,090)	(2,527,419)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' FEES		6,392,661	6,837,325
Contribution to KFAS		(58,115)	(61,651)
Zakat		(66,921)	(71,376)
Directors' fees		(85,000)	(85,000)
PROFIT FOR THE YEAR		6,182,625	6,619,298
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,182,625	6,619,298
BASIC AND DILUTED EARNINGS PER SHARE	6	31 fils	33 fils

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 KD	2016 KD
ASSETS			
Bank balances and cash		746,215	694,692
Other receivables		171,146	28,116
Amounts due under instalment credit agreements	7	116,222,511	104,396,624
Trading property		633,000	675,000
Property and equipment	8	2,220,545	2,288,066
Goodwill		5,875,738	5,875,738
TOTAL ASSETS		125,869,155	113,958,236
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals	9	7,346,989	4,846,594
Payables under Islamic financing	10	61,002,080	55,761,030
Employees' end of service benefits		1,162,163	975,314
Total liabilities		69,511,232	61,582,938
EQUITY			
Share capital	11	20,000,000	20,000,000
Statutory reserve	12	5,146,760	4,507,494
Retained earnings		31,211,163	27,867,804
Total equity		56,357,923	52,375,298
TOTAL LIABILITIES AND EQUITY		125,869,155	113,958,236


 Hazim Ali Al Hilal Al Mutairi
 Chief Executive Officer

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital KD	Statutory reserve KD	Retained earnings KD	Total KD
Balance as at 1 January 2017	20,000,000	4,507,494	27,867,804	52,375,298
Profit for the year	-	-	6,182,625	6,182,625
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	6,182,625	6,182,625
Transfer to statutory reserve	-	639,266	(639,266)	-
Dividends paid (Note 13)	-	-	(2,200,000)	(2,200,000)
Balance as at 31 December 2017	20,000,000	5,146,760	31,211,163	56,357,923
Balance as at 1 January 2016	20,000,000	3,823,762	24,132,238	47,956,000
Profit for the year	-	-	6,619,298	6,619,298
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	6,619,298	6,619,298
Transfer to statutory reserve	-	683,732	(683,732)	-
Dividends paid (Note 13)	-	-	(2,200,000)	(2,200,000)
Balance as at 31 December 2016	20,000,000	4,507,494	27,867,804	52,375,298

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

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

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit before Contribution To Kuwait Foundation For The Advancement Of Sciences ("KFAS"), Zakat And Directors' fees		6,392,661	6,837,325
Non cash adjustments to reconcile profit to net cash flows:			
Depreciation	8	67,521	69,013
Impairment of trading property		42,000	-
Provision for employee's end of service benefits		204,495	261,919
Provision for doubtful debts	7	4,226,090	2,527,419
Finance cost		2,488,889	1,962,120
		<u>13,421,656</u>	<u>11,657,796</u>
Working capital adjustments:			
Amounts due under installment credit agreements		(16,051,977)	(16,936,406)
Other receivables		(143,030)	(6,198)
Account payables and accruals		2,303,870	476,608
Receipt of payables under Islamic financing		20,185,000	13,029,030
Repayment of payables under Islamic financing		(14,943,950)	(4,349,800)
Finance cost paid		(2,502,399)	(1,918,250)
Cash flows from operations		<u>2,269,169</u>	<u>1,952,780</u>
Employees end of service benefits paid		(17,646)	(15,917)
Net cash flows from operating activities		<u>2,251,523</u>	<u>1,936,863</u>
FINANCING ACTIVITY			
Dividends paid	13	(2,200,000)	(2,200,000)
Cash flows used in financing activity		<u>(2,200,000)</u>	<u>(2,200,000)</u>
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		51,523	(263,137)
Bank balances and cash at the beginning of the year		<u>694,692</u>	<u>957,829</u>
BANK BALANCES AND CASH AT THE END OF THE YEAR		<u>746,215</u>	<u>694,692</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

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 2017 were authorised for issue in accordance with a resolution of the board of directors on 22 March 2018. 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.

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 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 2017.

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

As at and for the year ended 31 December 2017

2.1 BASIS OF PREPARATION (continued)

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries, other referred to as Group:

Name of the company	Effective Ownership		Activities
	2017	2016	
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period.

Other new or amended standards which are effective on or after 1 January 2017 are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2.3 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.3 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 – 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

Property 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 and equipment.

Depreciation of property and equipment is provided on a straight-line basis over their estimated useful lives as follows:

Furniture and fixture	5 - 10 years
Building	20 - 50 years

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

2.3 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 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
As at and for the year ended 31 December 2017

2.3 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.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trading property

Properties acquired in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost comprises the purchase cost of the property. Net realisable value is the estimated selling price in the ordinary course of the business, less costs to completion and the estimated costs necessary to make the sale.

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 Company provides end of service benefits to all of 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 Company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

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 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. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed an initial impact assessment of all three aspects of IFRS 9. This initial assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the financial year 2018, when the Group will adopt IFRS 9. In addition, the Group will implement changes in classification of certain financial instruments.

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3 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

IFRS 15 Revenue from Contracts with Customers (effective for annual periods on or after 1 January 2017)

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Group plans to adopt the new standard on the required effective date. The Group does not expect a material impact on the Group's financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, 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.

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4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)

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 consolidated 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 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2017 KD	2016 KD
Staff costs	<u>1,970,561</u>	<u>2,037,390</u>
Rentals – operating leases	<u>16,000</u>	<u>16,000</u>

6 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.

	2017	2016
Profit for the year (KD)	<u>6,182,625</u>	<u>6,619,298</u>
Weighted average number of ordinary shares outstanding (number)	<u>200,000,000</u>	<u>200,000,000</u>
Basic and diluted earnings per share	<u>31 fils</u>	<u>33 fils</u>

7 AMOUNTS DUE UNDER INSTALMENT CREDIT AGREEMENTS

	2017 KD	2016 KD
Gross amounts due under installment credit agreements	<u>143,089,526</u>	<u>125,186,640</u>
Less: Deferred installment credit income	<u>(21,832,008)</u>	<u>(18,489,500)</u>
	<u>121,257,518</u>	<u>106,697,140</u>
Less: Provision for doubtful debts	<u>(5,035,007)</u>	<u>(2,300,516)</u>
	<u>116,222,511</u>	<u>104,396,624</u>

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7 AMOUNTS DUE UNDER INSTALMENT CREDIT AGREEMENTS (continued)

	2017 KD	2016 KD
<i>Amount due within a year:</i>		
Gross amounts due under installment credit agreements	64,840,115	62,973,950
Less: Deferred installment credit income	(12,262,623)	(9,988,961)
	<u>52,577,492</u>	<u>52,984,989</u>
Less: Provision for doubtful debts	(3,588,363)	(1,407,461)
	<u>48,989,129</u>	<u>51,577,528</u>
<i>Amount due within 1 to 5 years:</i>		
Gross amounts due under installment credit agreements	78,249,411	62,212,691
Less: Deferred installment credit income	(9,569,385)	(8,500,540)
	<u>68,680,026</u>	<u>53,712,151</u>
Less: Provision for doubtful debts	(1,446,644)	(893,055)
	<u>67,233,382</u>	<u>52,819,096</u>

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

As at 31 December 2017, amounts due under installment credit agreements at nominal value of KD 6,375,273 (2016: KD 2,501,345) were considered impaired (being over three installments due) and provided for.

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

	2017 KD	2016 KD
At the beginning of the year	2,300,516	16,737,356
Charge for the year	4,226,090	2,527,419
Written off during the year	(1,491,599)	(16,964,259)
At the end of the year	<u>5,035,007</u>	<u>2,300,516</u>

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

	<i>Neither past due nor impaired KD</i>	<i>Past due but not impaired KD</i>	<i>Total KD</i>
2017	76,413,795	33,433,443	109,847,238
2016	60,271,249	41,624,030	101,895,279

The Group does not have any past due but not impairment balances as at 31 December 2017 (2016: KD Nil).

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8 PROPERTY AND EQUIPMENT

	<i>Land KD</i>	<i>Building KD</i>	<i>Furniture and fixtures KD</i>	<i>Total KD</i>
As at 1 January 2017 and as at 31 December 2017	1,104,325	1,257,818	826,032	3,188,175
Depreciation :				
As at 1 January 2016	-	365,758	534,351	900,109
Depreciation charge for the year	-	64,425	3,096	67,521
As at 31 December 2017	-	430,183	537,447	967,630
Net carrying amount: As at 31 December 2017	<u>1,104,325</u>	<u>827,635</u>	<u>288,585</u>	<u>2,220,545</u>
	<i>Land KD</i>	<i>Building KD</i>	<i>Furniture and fixtures KD</i>	<i>Total KD</i>
As at 1 January 2016 and as at 31 December 2016	1,104,325	1,257,818	826,032	3,188,175
Depreciation :				
As at 1 January 2016	-	301,333	529,763	831,096
Depreciation charge for the year	-	64,425	4,588	69,013
As at 31 December 2016	-	365,758	534,351	900,109
Net carrying amount: As at 31 December 2016	<u>1,104,325</u>	<u>892,060</u>	<u>291,681</u>	<u>2,288,066</u>

9 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2017 KD</i>	<i>2016 KD</i>
Trade accounts payable	3,662,916	1,711,316
Accrued expenses and other payables	2,125,037	1,012,261
Amount due to related parties (Note 15)	1,559,036	2,123,017
	<u>7,346,989</u>	<u>4,846,594</u>

10 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 are secured against the amounts due under instalment credit agreements of KD 75,457,649 (2016: KD 68,586,067).

Changes in liabilities arising from payables under islamic financing;

	<i>1 January 2017 KD</i>	<i>Net cash inflow KD</i>	<i>31 December 2017 KD</i>
Current payables under Islamic financing	55,761,030	5,241,050	61,002,080
Total liabilities from financing activities	<u>55,761,030</u>	<u>5,241,050</u>	<u>61,002,080</u>

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10 PAYABLES UNDER ISLAMIC FINANCING (continued)

	<i>1 January 2016 KD</i>	<i>Net cash flow KD</i>	<i>31 December 2016 KD</i>
Current payables under Islamic financing	47,081,800	8,679,230	55,761,030
Total liabilities from financing activities	47,081,800	8,679,230	55,761,030

11 SHARE CAPITAL

	<i>Authorised, issued and fully paid-up</i>	
	<i>2017 KD</i>	<i>2016 KD</i>
200,000,000 shares of 100 fils each, paid in cash	20,000,000	20,000,000

12 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to the equity holders of the Parent Company for the year, before contribution to KFAS, Zakat and directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

13 DIVIDEND

For the year ended 31 December 2017, 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 2017.

Cash dividend of 11 fils (2016: 11 fils) per share totalling to KD 2,200,000 (2016: KD 2,200,000) proposed by the Parent Company's Board of Directors for the year ended 31 December 2016 was approved by the shareholders at the Annual General Meeting of shareholders on 24 April 2017 and paid subsequently.

14 EXPENDITURE COMMITMENTS

There are no capital expenditure commitments or operating lease commitments during the year (2016: Nil).

15 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 consolidated statement of comprehensive income are as follows:

	<i>Other related parties KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Income statement			
Finance cost	1,177,422	1,177,422	869,475

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15 RELATED PARTY TRANSACTIONS (continued)

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

Consolidated statement of financial position	<i>Other related parties</i> KD	2017 KD	2016 KD
Assets			
Bank balances and cash	207,794	207,794	231,462
Liabilities			
Amount due to related parties (Note 9)	1,559,036	1,559,036	2,123,017
Payables under Islamic financing	29,050,000	29,050,000	27,350,000

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 2017 is subject to approval at the Annual General Meeting of shareholders. Directors' fees of KD 85,000 for the year ended 31 December 2016 was approved at the Annual General Meeting of shareholders on 24 April 2017.

Key management personnel compensation:

	2017 KD	2016 KD
Director's fees	85,000	85,000
Salaries and short-term benefits	450,694	457,073
Employees' end of service benefits	66,771	77,855
	602,465	619,928

16 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</i> KD	<i>Up to 3 months</i> KD	<i>4 to 12 months</i> KD	<i>One year and above</i> KD	Total KD
As at 31 December 2017					
ASSETS					
Bank balance and cash	746,215	-	-	-	746,215
Other receivables	-	-	171,146	-	171,146
Amounts due under installment credit agreements	-	16,104,532	32,884,593	67,233,382	116,222,511
Trading property	-	-	633,000	-	633,000
Property and equipment	-	-	-	2,220,545	2,220,545
Goodwill	-	-	-	5,875,738	5,875,738
	746,215	16,104,532	33,688,739	75,329,667	125,869,155
LIABILITIES					
Accounts payable and accruals	1,559,036	3,662,916	2,125,037	-	7,346,989
Payables under Islamic financing	-	33,217,080	27,785,000	-	61,002,080
Employees' end of service benefits	-	-	-	1,162,163	1,162,163
	1,559,036	36,879,996	29,910,037	1,162,163	69,511,232

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16 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	<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 2016					
ASSETS					
Bank balance and cash	-	694,692	-	-	694,692
Other receivables	-	-	28,116	-	28,116
Amounts due under installment credit agreements	-	12,326,178	39,251,350	52,819,096	104,396,624
Trading property	-	-	675,000	-	675,000
Property and equipment	-	-	-	2,288,066	2,288,066
Goodwill	-	-	-	5,875,738	5,875,738
	<u>-</u>	<u>13,020,870</u>	<u>39,954,466</u>	<u>60,982,900</u>	<u>113,958,236</u>
LIABILITIES					
Accounts payable and accruals	2,123,017	1,687,174	1,036,403	-	4,846,594
Payables under Islamic financing	-	34,451,565	21,309,465	-	55,761,030
Employees' end of service benefits	-	-	-	975,314	975,314
	<u>2,123,017</u>	<u>36,138,739</u>	<u>22,345,868</u>	<u>975,314</u>	<u>61,582,938</u>

17 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 2017 and 31 December 2016. The management reviews and agrees policies for managing each of these risks which are summarised below:

17.1 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 consolidated 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 2017 is 18% (2016: 19%). The maximum exposure is the carrying amount disclosed in Note 7.

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 consolidated financial and other consolidated 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.

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17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

17.2 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.

At 31 December 2017	On demand KD	1 to 3 months KD	4 to 12 months KD	Total KD
Accounts payable and accruals	1,559,036	3,662,916	2,125,037	7,346,989
Gross payables under Islamic financing	-	33,548,738	28,573,287	62,122,025
TOTAL UNDISCOUNTED LIABILITIES	1,559,036	37,211,654	30,698,324	69,469,014
At 31 December 2016	On demand KD	1 to 3 months KD	4 to 12 months KD	Total KD
Accounts payable and accruals	2,123,017	1,687,174	1,036,403	4,846,594
Gross payables under Islamic financing	-	31,277,829	24,886,810	56,164,639
Total Undiscounted Liabilities	2,123,017	32,965,003	25,923,213	61,011,233

17.3 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.

17.4 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.

18 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise 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 2017 and 31 December 2016. Total equity comprises of share capital, statutory reserves and retained earnings and is measured at KD 56,357,923 as at 31 December 2017 (2016: KD 52,375,298).

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19 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.