



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

31 DECEMBER 2018



**Building a better
working world**

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 2018, 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 2018, 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.



Building a better
working world

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 2018 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)

17 March 2019

Kuwait

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
Finance income			
Finance cost		17,233,896	15,608,865
		(2,825,600)	(2,488,889)
Net finance income		<u>14,408,296</u>	<u>13,119,976</u>
Administrative expenses			
Impairment of trading property	8	(2,771,442)	(2,459,225)
Provision for doubtful debts	7	(1,017,900)	(42,000)
Recoveries from written off debts		(6,860,667)	(4,226,090)
		<u>3,692,212</u>	<u>-</u>
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' FEES		7,450,499	6,392,661
Contribution to KFAS			
Zakat		(66,800)	(58,115)
Directors' fees		(75,723)	(66,921)
		<u>(102,500)</u>	<u>(85,000)</u>
PROFIT FOR THE YEAR	5	7,205,476	6,182,625
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>7,205,476</u>	<u>6,182,625</u>
BASIC AND DILUTED EARNINGS PER SHARE	6	<u>36 fils</u>	<u>31 fils</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
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	<i>Notes</i>	2018 KD	2017 KD
ASSETS			
Bank balances and cash			
Other receivables		1,051,002	746,215
Amounts due under instalment credit agreements		219,769	171,146
Trading properties	7	125,058,297	116,222,511
Property and equipment	8	4,615,100	633,000
Goodwill	9	2,182,093	2,220,545
		5,875,738	5,875,738
TOTAL ASSETS		139,001,999	125,869,155
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals	10	8,332,550	7,346,989
Payables under Islamic financing	11	67,950,835	61,002,080
Employees' end of service benefits		1,310,533	1,162,163
Total liabilities		77,593,918	69,511,232
EQUITY			
Share capital			
Statutory reserve	12	20,000,000	20,000,000
Retained earnings	13	5,891,810	5,146,760
		35,516,271	31,211,163
Total equity		61,408,081	56,357,923
TOTAL LIABILITIES AND EQUITY		139,001,999	125,869,155


Hazim Ali Al Hilal Al Mutairi
Chief Executive Officer

The attached notes 1 to 20 form part of these consolidated financial statements.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Balance as at 1 January 2018	20,000,000	5,146,760	31,211,163	56,357,923
Adjustment on initial application of IFRS 9 (Note.2.2)	-	-	44,682	44,682
Restated balance as at 1 January 2018	20,000,000	5,146,760	31,255,845	56,402,605
Profit for the year	-	-	7,205,476	7,205,476
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	7,205,476	7,205,476
Transfer to statutory reserve	-	745,050	(745,050)	-
Dividends paid (Note 14)	-	-	(2,200,000)	(2,200,000)
Balance as at 31 December 2018	20,000,000	5,891,810	35,516,271	61,408,081
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 14)	-	-	(2,200,000)	(2,200,000)
Balance as at 31 December 2017	20,000,000	5,146,760	31,211,163	56,357,923

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 2018

	Notes	2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit before Contribution to Kuwait Foundation for The Advancement Of Sciences ("KFAS"), Zakat And Directors' fees		7,450,499	6,392,661
Non- cash adjustments to reconcile profit to net cash flows:			
Depreciation	9	66,632	67,521
Impairment of trading property	8	-	42,000
Provision for employee's end of service benefits		164,946	204,495
Provision for doubtful debts	7	6,860,667	4,226,090
Recoveries from written off debts		(3,692,212)	
Finance cost		2,825,600	2,488,889
		<u>13,676,132</u>	<u>13,421,656</u>
Working capital adjustments:			
Amounts due under installment credit agreements		(15,941,659)	(16,051,977)
Other receivables		(48,623)	(143,030)
Account payables and accruals		729,222	2,303,870
Receipt of payables under Islamic financing		9,250,000	20,185,000
Repayment of payables under Islamic financing		(2,301,245)	(14,943,950)
Finance cost paid		(2,814,284)	(2,502,399)
Cash flows from operations		<u>2,549,543</u>	<u>2,269,169</u>
Employees end of service benefits paid		(16,576)	(17,646)
Net cash flows from operating activities		<u>2,532,967</u>	<u>2,251,523</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(28,180)	-
Net cash flows used investing activities		<u>(28,180)</u>	<u>-</u>
FINANCING ACTIVITY			
Dividends paid	14	(2,200,000)	(2,200,000)
Net cash flows used in financing activity		<u>(2,200,000)</u>	<u>(2,200,000)</u>
NET INCREASE IN BANK BALANCES AND CASH		<u>304,787</u>	<u>51,523</u>
Bank balances and cash at the beginning of the year		<u>746,215</u>	<u>694,692</u>
BANK BALANCES AND CASH AT THE END OF THE YEAR		<u><u>1,051,002</u></u>	<u><u>746,215</u></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
As at and for the year ended 31 December 2018

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 2018 were authorised for issue in accordance with a resolution of the board of directors on 17 March 2019. 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 2018.

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 2018

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
	2018	2017	
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
As at and for the year ended 31 December 2018

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The nature and the impact of each new standard and amendment is described below:

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 - Financial Instruments

The Group adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

a) Classification and measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), Amortised Cost (AC), or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

With respect to receivables, the Group analysed the contractual cash flow characteristics of those instruments and concluded that based on their business model which is to hold the financial asset to collect the contractual cash flows which meets the SPPI criterion, these instruments shall be classified as at amortised cost under IFRS 9. Therefore, reclassification for these instruments is not required on initial adoption of IFRS 9.

Financial assets at fair value through profit or loss comprise equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at fair value through other comprehensive income. Under IAS 39, the Group's equity securities were classified as AFS financial assets. As a result of the change in classification of the Group's equity investments, the AFS reserve related to those investments that were previously presented under accumulated OCI, was reclassified to retained earnings at the date of initial application.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the consolidated statement of comprehensive income.

(b) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The credit losses are based on ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the credit loss is based on the change in ECLs over the life of the asset.

(c) Hedge accounting

The Group has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

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 2018

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 15 - Revenue from Contracts with Customers

The Group adopted IFRS 15 Revenue from Contracts with Customers on its effective date of 1 January 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

IFRS 15 did not have a significant impact on the Group's accounting policies as revenue streams mainly comprise of rental income and management fees.

Other new or amended standards which are effective on or after 1 January 2018 are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

Transitional provisions

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
 - The determination of the business model within which a financial asset is held.
 - The new measurement of certain financial assets as measured at amortized cost.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	<i>Retained earnings KD</i>
Closing balance under IAS 39 (31 December 2017)	31,211,163
<i>Impact on re-measurements:</i>	
Amounts due under instalment credit agreements	44,682
Opening balance under IFRS 9 on date of initial application at 1 January 2018	<u>31,255,845</u>

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 2018

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Classification of financial instruments on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the group's financial assets as at 1 January 2018.

	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original carrying amount under IAS 39 KD</i>	<i>Transition adjustments KD</i>	<i>New carrying amount under IFRS 9 KD</i>
Financial assets					
Bank balances and cash	Loans and receivables	Amortised cost	755,456	-	755,456
Other receivables	Loans and receivables	Amortised cost	213,311	-	213,311
Amounts receivable from customers under instalment credit agreements	Loans and receivables	Amortised cost	124,871,453	44,682	116,267,194

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

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:

- 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
- 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.

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 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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

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 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

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

In the current period the Group has adopted IFRS 9 *Financial Instruments*. See section 2.2 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

a) Recognition and initial measurement

Amounts due under instalment credit agreements and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

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 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement

Financial assets - Policy effective from 1 January 2018 (IFRS 9)

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Amounts due under instalment credit agreements and other receivables are held at amortised cost.

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 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

- ▶ Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- ▶ Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- ▶ Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- ▶ Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to 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 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

Financial assets – Policy applicable before 1 January 2018

▶ Financial assets at fair value through profit or loss	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
▶ Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
▶ Loans and receivables	Measured at amortised cost using the effective interest method.
▶ Available-for-sale financial assets (AFS)	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

Policy applicable from 1 January 2018

The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

Expected Credit losses

The Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Expected Credit losses (continued)

- To calculate ECL, the Group will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and
- The cash flows that the Group expects to receive, discounted at the effective profit rate of the financing facility.

The Group applies a three-stage approach to measure the ECL based on the applied impairment methodology, as described below:

Stage 1: 12-month ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure value of collaterals if any.

Transfer of credit facility from Stage 2 to Stage 1 is made after a period of 12 months from the satisfaction of all conditions that triggered classification of the financial assets to Stage 2.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the asset.

When estimating lifetime ECL for undrawn financing commitments, the Group estimates the expected portion of the financing commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down. The expected cash shortfalls are discounted at an approximation to the expected effective profit rate on the financing.

The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortization recognised in statement of income. For this purposes, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted profit rate relevant to the exposure.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments

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 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Expected Credit losses (continued)

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represent the difference between cashflows due to the Group in accordance with the contract and the cashflows that the Group expects to receive. The key elements in the measurement of ECL include probability of default, loss given default and exposure at default.

- **PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

For bank balances and other receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the balances and the Group's economic environment.

Policy applicable before 31 December 2017

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is 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 has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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.

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.

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 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Group 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 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.

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 standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

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:

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 2018

4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of financial assets at amortised cost

Effective before 1 January 2018 (IAS 39)

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.

Effective from 1 January 2018 (IFRS 9)

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their dependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit rating model, which assigns PDs to the individual grades
- The Group's criterion for assessing if there has been a significant increase in credit risk so allowances for financial assets should be measured on a lifetime ECL basis and qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including various formulas and choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The Group has the policy to regularly review its models in the context of actual loss experience and adjust when necessary.

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.

Estimation of net realisable value for trading properties

Trading properties are stated at the lower of cost and net realisable value (NRV).

NRV for completed trading properties is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

NRV in respect of properties under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

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.

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 2018

4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of property and equipment (continued)

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:

	2018 KD	2017 KD
Staff costs	2,214,959	1,970,561
Rentals – operating leases	16,000	16,000

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.

	2018	2017
Profit for the year (KD)	7,205,476	6,182,625
Weighted average number of ordinary shares outstanding (number)	200,000,000	200,000,000
Basic and diluted earnings per share	36 fils	31 fils

7 AMOUNTS DUE UNDER INSTALMENT CREDIT AGREEMENTS

	2018 KD	2017 KD
Gross amounts due under installment credit agreements	160,654,479	143,089,526
Less: Deferred installment credit income	(23,745,190)	(21,832,008)
	136,909,289	121,257,518
Less: Expected credit losses /provision for doubtful debts	(11,850,992)	(5,035,007)
	125,058,297	116,222,511
	2018 KD	2017 KD
Amount due within a year:		
Gross amounts due under installment credit agreements	73,084,482	64,840,115
Less: Deferred installment credit income	(12,626,556)	(12,262,623)
	60,457,926	52,577,492
Less: Expected credit losses /provision for doubtful debts	(4,594,066)	(3,588,363)
	55,863,860	48,989,129

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 2018

7 AMOUNTS DUE UNDER INSTALMENT CREDIT AGREEMENTS (continued)

	2018 KD	2017 KD
<i>Amount due within 1 to 5 years:</i>		
Gross amounts due under installment credit agreements	87,569,997	78,249,411
Less: Deferred installment credit income	(11,118,634)	(9,569,385)
	<u>76,451,363</u>	<u>68,680,026</u>
Less: Expected credit losses /provision for doubtful debts	(7,256,926)	(1,446,644)
	<u>69,194,437</u>	<u>67,233,382</u>

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

As at 31 December 2018, amounts due under installment credit agreements at nominal value of KD 11,850,992 (2017: KD 5,035,007) were considered impaired and provided for.

Payables under Islamic financing are secured against the amounts due under instalment credit agreements of KD 84,053,040 (2017: KD 75,457,649).

Movement in the expected credit losses /provision for doubtful debts of amounts due under instalment credit agreements are as follows:

	2018 KD	2017 KD
At the beginning of the year	5,035,007	2,300,516
Adjustment on amended application of IFRS 9 (Note 2.2)	(44,682)	-
Charge for expected credit losses	6,860,667	-
Provision charge for doubtful debts	-	4,226,090
Written off during the year	-	(1,491,599)
At the end of the year	<u>11,850,992</u>	<u>5,035,007</u>

Amounts due under instalment credit agreements credit risk exposure and expected credit loss:

	Stage 1 0-120 days KD	Stage 2 121-240 days KD	Stage 3 > 240 days KD	Total KD
2018				
Exposure	127,421,957	2,850,430	6,636,902	136,909,289
Expected credit loss	(3,583,549)	(1,630,541)	(6,636,902)	(11,850,992)
Expected credit loss rate	3%	57%	100%	
2017				
Exposure	112,271,955	6,160,079	2,825,484	121,257,518
Expected credit loss	(1,026,131)	(1,183,392)	(2,825,484)	(5,035,007)
Expected credit loss rate	1%	19%	100%	

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 2018

8 TRADING ROPERTIES

	2018 KD	2017 KD
At the beginning of the year		
Additions	633,000	675,000
Impairment of trading property	5,000,000 (1,017,900)	- (42,000)
At the end of the year	<u>4,615,100</u>	<u>633,000</u>

9 PROPERTY AND EQUIPMENT

	Land KD	Building KD	Furniture and fixtures KD	Capital work in progress KD	Total KD
Cost:					
As at 1 January 2018	1,104,325	1,257,818	826,032	-	3,188,175
Additions	-	-	-	28,180	28,180
	<u>1,104,325</u>	<u>1,257,818</u>	<u>826,032</u>	<u>28,180</u>	<u>3,216,355</u>
Depreciation:					
As at 1 January 2017	-	430,183	537,447	-	967,630
Depreciation charge for the year	-	64,422	2,210	-	66,632
As at 31 December 2018	<u>-</u>	<u>494,605</u>	<u>539,657</u>	<u>-</u>	<u>1,034,262</u>
Net carrying amount:					
As at 31 December 2018	<u>1,104,325</u>	<u>763,213</u>	<u>286,375</u>	<u>28,180</u>	<u>2,182,093</u>
	<u>Land KD</u>	<u>Building KD</u>	<u>Furniture and fixtures KD</u>	<u>Capital work in progress KD</u>	<u>Total KD</u>
Cost:					
As at 1 January 2017	1,104,325	1,257,818	826,032	-	3,188,175
Depreciation:					
As at 1 January 2017	-	365,758	534,351	-	900,109
Depreciation charge for the year	-	64,425	3,096	-	67,521
As at 31 December 2017	<u>-</u>	<u>430,183</u>	<u>537,447</u>	<u>-</u>	<u>967,630</u>
Net carrying amount:					
As at 31 December 2017	<u>1,104,325</u>	<u>827,635</u>	<u>288,585</u>	<u>-</u>	<u>2,220,545</u>

10 ACCOUNTS PAYABLE AND ACCRUALS

	2018 KD	2017 KD
Trade accounts payable		
Accrued expenses and other payables	2,723,547	3,662,916
Amount due to related parties (Note 16)	2,128,016	2,125,037
	3,480,987	1,559,036
	<u>8,332,550</u>	<u>7,346,989</u>

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 2018

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 are secured against the amounts due under instalment credit agreements of KD 84,053,040 (2017: KD 75,457,649).

Changes in liabilities arising from payables under Islamic financing;

	<i>1 January 2018 KD</i>	<i>Net cash inflow KD</i>	<i>31 December 2018 KD</i>
Current payables under Islamic financing	61,002,080	6,948,755	67,950,835
Total liabilities from financing activities	61,002,080	6,948,755	67,950,835

	<i>1 January 2017 KD</i>	<i>Net cash flow 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	55,761,030	5,241,050	61,002,080

12 SHARE CAPITAL

200,000,000 shares of 100 fils each, paid in cash

<i>Authorised, issued and fully paid-up</i>	<i>2018 KD</i>	<i>2017 KD</i>
	20,000,000	20,000,000

13 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.

14 DIVIDEND

For the year ended 31 December 2018, 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 2018.

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 2017 was approved by the shareholders at the Annual General Meeting of shareholders on 24 April 2018 and paid subsequently.

15 EXPENDITURE COMMITMENTS

There are no capital expenditure commitments or operating lease commitments during the year (2017: Nil).

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 2018

16 RELATED PARTY TRANSACTIONS

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

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

Income statement	Other related parties KD	2018 KD	2017 KD
Finance cost			
Balances with related parties included in the consolidated statement of financial position are as follows:	1,269,583	1,269,583	1,177,422

Consolidated statement of financial position	Other related parties KD	2018 KD	2017 KD
Assets			
Bank balances and cash	215,113	215,113	207,794
Liabilities			
Amount due to related parties (Note 10)	3,480,987	3,480,987	1,559,036
Payables under Islamic financing	29,000,000	29,000,000	29,050,000

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

Directors' fees of KD 102,500 for the year ended 31 December 2018 is subject to approval at the Annual General Meeting of shareholders. Directors' fees of KD 85,000 for the year ended 31 December 2017 was approved at the Annual General Meeting of shareholders on 24 April 2018.

Key management personnel compensation:

	2018 KD	2017 KD
Director's fees	102,500	85,000
Salaries and short-term benefits	568,101	450,694
Employees' end of service benefits	58,019	66,771
	<u>728,620</u>	<u>602,465</u>

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:

As at 31 December 2018	On demand KD	Up to 3 months KD	4 to 12 months KD	One year and above KD	Total KD
ASSETS					
Bank balance and cash	1,051,002	-	-	-	1,051,002
Other receivables	-	-	219,769	-	219,769
Amounts due under installment credit agreements	-	22,301,045	33,562,814	69,194,438	125,058,297
Trading property	-	-	-	4,615,100	4,615,100
Property and equipment	-	-	2,182,093	-	2,182,093
Goodwill	-	-	-	5,875,738	5,875,738
	<u>1,051,002</u>	<u>22,301,045</u>	<u>35,964,676</u>	<u>79,685,276</u>	<u>139,001,999</u>
LIABILITIES					
Accounts payable and accruals	2,743,287	2,716,040	2,873,223	-	8,332,550
Payables under Islamic financing	-	29,894,520	38,056,315	-	67,950,835
Employees' end of service benefits	-	-	-	1,310,533	1,310,533
	<u>2,743,287</u>	<u>32,610,560</u>	<u>40,929,538</u>	<u>1,310,533</u>	<u>77,593,918</u>

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 2018

17 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	On demand KD	Up to 3 months KD	4 to 12 months KD	One year and above 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	67,233,386	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
	<u>746,215</u>	<u>16,104,532</u>	<u>33,688,739</u>	<u>75,329,669</u>	<u>125,869,155</u>
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
	<u>1,559,036</u>	<u>36,879,996</u>	<u>29,910,037</u>	<u>1,162,163</u>	<u>69,511,232</u>

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 2018 and 31 December 2017. 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 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.

Assessment of expected credit losses (policy applicable from 1 January 2018)

Definition of default and cure

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the customer is past due more than 240 days on any material credit obligation to the Group; or
- customer is considered as credit impaired based on qualitative assessment for internal credit risk management purposes

Any credit impaired or stressed facility that has been restructured during the year would also be considered as in default.

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 2018

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.1 Credit risk (continued)

Assessment of expected credit losses (policy applicable from 1 January 2018) (continued)

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess whether there has been a significant increase in credit risk since initial recognition. The Group applies a consistent quantitative criterion for internally and externally rated portfolio to assess significant increase in credit risk.

Internal rating and PD estimation process

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The analysis supports the usage of financial factors as well as non-financial subjective factors.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, and products.

The standard requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The through the cycle (TTC) PDs are generated based on the internal credit ratings. The Group converts the TTC PD to a point in time (PIT) PD term structures using appropriate models and techniques.

The Group assesses the PD for its retail portfolio through behavioural scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility. Term structure of PD is based on hazard rate concept. The survival distribution used is exponential distribution. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the Behavioural scorecard.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks. The 10 largest customers outstanding as a percentage of gross receivable from customers as at 31 December 2018 is 17% (2017: 18%). The maximum exposure is the carrying amount disclosed in Note 7.

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

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 2018

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.2 Liquidity risk (continued)

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 2018	On demand KD	1 to 3 months KD	4 to 12 months KD	Total KD
Accounts payable and accruals	2,743,287	2,716,040	2,873,223	8,332,550
Gross payables under Islamic financing	-	30,193,004	39,136,009	69,329,013
	<u>2,743,287</u>	<u>32,909,044</u>	<u>42,009,232</u>	<u>77,661,563</u>
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
	<u>1,559,036</u>	<u>37,211,654</u>	<u>30,698,324</u>	<u>69,469,014</u>

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 2018 and 31 December 2017. Total equity comprises of share capital, statutory reserves and retained earnings and is measured at KD 61,408,081 as at 31 December 2018 (2017: KD 56,357,923).

20 FAIR VALUE MEASUREMENTS

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.