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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Credit One Kuwait Holding Company K.S.C. (Closed) ("the Parent Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the Parent Company's 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 Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the Parent Company have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Group or on its financial position.

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

7 March 2011

Kuwait

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	Notes	***2010*** ***KD***	*2009* *KD*
Finance income		**7,889,430**	7,751,424
Finance cost		**(1,500,466)**	(1,878,683)
Net finance income		**6,388,964**	5,872,741
Administrative expenses		**(1,160,040)**	(1,008,440)
Provision for doubtful debts	7	**(1,913,802)**	(1,926,929)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' FEES		**3,315,122**	2,937,372
Contribution to KFAS		**(29,836)**	(26,436)
Zakat		**(33,984)**	(29,374)
Directors' fees	15	**(50,000)**	(50,000)
PROFIT FOR THE YEAR		**3,201,302**	2,831,562
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5	**3,201,302**	2,831,562
BASIC AND DILUTED EARNINGS PER SHARE	6	**16 fils**	14 fils

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	*2010* *KD*	*2009* *KD*
ASSETS			
Bank balances and cash		**2,993,120**	3,236,307
Other receivables		**105,714**	131,994
Amounts due under instalment credit agreements	7	**57,997,209**	57,921,184
Property and equipment	8	**1,123,529**	8,855
Goodwill		**5,875,738**	5,875,738
TOTAL ASSETS		**68,095,310**	67,174,078
LIABILITIES AND EQUITY			
LIABILITIES			
Account payables and accruals	9	**3,327,980**	5,450,782
Bank borrowings	10	**32,000,000**	31,200,000
Employees' end of service benefits		**151,872**	109,140
Total liabilities		**35,479,852**	36,759,922
Equity			
Share capital	11	**20,000,000**	20,000,000
Statutory reserve	12	**1,407,521**	1,076,009
Retained earnings		**11,207,937**	9,338,147
Total equity		**32,615,458**	30,414,156
TOTAL LIABILITIES AND EQUITY		**68,095,310**	67,174,078

Mr. Mubarak Al Sayer
Chairman

Mr. Hazim A. Al Mutairi
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Share capital KD	*Statutory reserve KD*	*Retained earnings KD*	*Total KD*
Balance at 1 January 2010	20,000,000	1,076,009	9,338,147	30,414,156
Total comprehensive income for the year	-	-	3,201,302	3,201,302
Transfer to statutory reserve (note 12)	-	331,512	(331,512)	-
Dividend paid (note 13)	-	-	(1,000,000)	(1,000,000)
Balance at 31 December 2010	**20,000,000**	**1,407,521**	**11,207,937**	**32,615,458**
Balance at 1 January 2009	20,000,000	782,272	6,800,322	27,582,594
Total comprehensive income for the year	-	-	2,831,562	2,831,562
Transfer to statutory reserve (note 12)	-	293,737	(293,737)	-
Balance at 31 December 2009	20,000,000	1,076,009	9,338,147	30,414,156

CONSOLIDATED STATEMENT OF CASH FLOW
Year ended 31 December 2010

	Notes	*2010* *KD*	*2009* *KD*
OPERATING ACTIVITIES			
Profit for the year		**3,201,302**	2,831,562
Adjustments for:			
Depreciation	8	**3,772**	1,037
Provision for employee's end of service benefits		**56,314**	61,979
Provision for doubtful debts	7	**1,913,802**	1,926,929
Finance cost		**1,500,466**	1,878,683
		6,675,656	6,700,190
Working capital changes:			
Amounts due under instalment credit agreements		**(1,989,827)**	1,792,147
Other receivables		**26,280**	(39,239)
Account payables and accruals		**(2,074,304)**	2,345,942
Employees' end of service benefits paid		**(13,582)**	(22,567)
Receipt of bank borrowings		**10,300,000**	6,000,000
Repayment of bank borrowings		**(9,500,000)**	(8,950,000)
Finance cost paid		**(1,548,964)**	(1,878,683)
Net cash from operating activities		**1,875,259**	5,947,790
INVESTING ACTIVITIES			
Purchase of property and equipment	8	**(1,118,446)**	(9,792)
Cash used in investing activities		**(1,118,446)**	(9,792)
FINANCING ACTIVITIES			
Dividend paid	13	**(1,000,000)**	-
Amount paid to shareholders		-	(5,000,000)
Net cash used in financing activities		**(1,000,000)**	(5,000,000)
(DECREASE) INCREASE IN BANK BALANCES AND CASH		**(243,187)**	937,998
Bank balances and cash at the beginning of the year		**3,236,307**	2,298,309
BANK BALANCES AND CASH AT THE END OF THE YEAR		**2,993,120**	3,236,307

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

1 ACTIVITIES AND CORPORATE INFORMATION

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 2010 were authorised for issue by the directors on 7 March 2011.

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

The Parent Company is an Investment Holding Company with its subsidiary 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 Salhiya Complex, 3rd Floor, Gate 8, P.O. Box 97, Dasmah, 35151, Safat, Kuwait.

2.1 BASIS OF PREPARATION

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

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

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") and applicable requirements of Ministerial Order No. 18 of 1990.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2010. 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.

Al-Sayer Facilities Company For General Trading And Contracting (Hazim Al-Mutairi and Partners) W.L.L. (Incorporated in Kuwait in 1999) engaged in the Motor vehicle financing is wholly owned subsidiary of the Parent Company.

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. Acquisition costs incurred are expensed and included in "Net investment income".

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

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

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

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

Goodwill is allocated to each of the Group's cash-generating units or for groups of cash generating units and is tested annually for impairment and is assesssed 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.

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:

Income from installment credit agreements
Income from installment credit agreements are recognised using the effective interest 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 interest rate, except allowance for future credit losses.

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

Operating leases
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.

Zakat
The Group has provided for Zakat at 1% in accordance with the requirements of Law No. 46 of 2006. The Zakat charge is calculated in accordance with these requirements and is charged to the consolidated statement of comprehensive income.

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

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

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

Furniture and fixture	5 to 10 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
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
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

Impairment losses are recognised in the consolidated statement of comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

The following criteria are also applied in assessing impairment of goodwill:

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

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

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 consolidated statement of comprehensive income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Loans and receivables

Loans 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 interest 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 "loans 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 borrowings" are classified as "financial liabilities other than at fair value through profit or loss".

Recognition and de-recognition

A financial asset or a financial liability is recognised 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 settlement date, i.e. the date that the Group receives or delivers the asset.

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 under the liability is discharged or cancelled or expires. When as 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 the 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 sheet 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 the consolidated statement of comprehensive income.

(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 interest rate.

The Group assess whether objective evidence of impairment exists on an individual basis for each individual significant amount of receivable from customers and collectively for others. The main criteria that the Group uses to determine that there is objective evidence of an impairment include whether repayment of interest, principal or both are past due by more than 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)
The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Amount receivable from customers together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, it is included in the consolidated statement of comprehensive income.

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

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

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

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

With respect to Kuwaiti 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.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The significant accounting policies used in preparation of the financial statements are consistent with those used in the previous financial year.

Improvements to IFRSs
In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulting from improvement to IFRS did not have any impact on the accounting policies, financial position and performance of the Group.

- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 39 Financial Instruments: Recognition and Measurement

The Group has early adopted IFRS 7 : Financial Instruments – Disclosures. The amendments modify the required level of disclosures of credit risks and related collaterals. These have no significant effect on the consolidated financial statements disclosures.

3 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgement and estimates principally in, but not limited to, the determination of impairment allowance for amounts due under instalment credit agreements and impairment of goodwill. 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 basis used by management in determining the carrying value of amounts due under instalment credit agreements and goodwill are discussed below:

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

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

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

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

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value which would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The Group does not expect any impact on its financial position or performance.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in consolidated statement of comprehensive income. The adoption of this interpretation is not likely to have effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendment related to IAS 1 Presentation of Financial Statements has not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

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

5 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2010 *KD*	*2009* *KD*
Staff costs	**803,791**	729,306
Rentals – operating leases	**70,530**	79,030

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.

	2010	*2009*
Profit for the year (KD)	**3,201,302**	2,831,562
Weighted average number of ordinary shares outstanding (number)	**200,000,000**	200,000,000
Basic and diluted earnings per share	**16 fils**	14 fils

7 AMOUNTS DUE UNDER INSTALLMENT CREDIT AGREEMENTS

	2010 *KD*	*2009* *KD*
Gross amounts due under installment credit agreements	**73,647,533**	72,459,265
Less: Deferred installment credit income	**(8,481,298)**	(9,172,864)
	65,166,235	63,286,401
Less: Provision for doubtful debts	**(7,169,026)**	(5,365,217)
	57,997,209	57,921,184
Amount due within a year:		
Gross amounts due under installment credit agreements	**43,736,703**	36,426,337
Less: Deferred installment credit income	**(5,235,716)**	(5,626,488)
	38,500,987	30,799,849
Less: Provision for doubtful debts	**(6,087,065)**	(4,235,894)
	32,413,922	26,563,955
Amount due within 1 to 5 years:		
Gross amounts due under installment credit agreements	**29,910,830**	36,032,928
Less: Deferred installment credit income	**(3,245,582)**	(3,546,376)
	26,665,248	32,486,552
Less: Provision for doubtful debts	**(1,081,961)**	(1,129,323)
	25,583,287	31,357,229

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

As at 31 December 2010, amounts due under instalment credit agreements at nominal value of KD 9,107,787 (2009: KD 7,332,737) were considered impaired (being over three instalments due) and provided for.

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

	2010 *KD*	*2009* *KD*
At the beginning of the year	**5,365,217**	3,438,288
Charge for the year	**1,913,802**	1,926,929
Write off during the year	**(109,993)**	-
At the end of the year	**7,169,026**	5,365,217

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

	Neither past due nor impaired *KD*	*Past due but not impaired (within three instalments due)* *KD*	*Total* *KD*
2010	**32,961,588**	**23,096,860**	**56,058,448**
2009	32,643,337	23,310,327	55,953,664

8 PROPERTY AND EQUIPMENT

	Land *KD*	*Furniture and fixtures* *KD*	*Capital work in progress* *KD*	***2010 Total*** ***KD***
Cost:				
At 1 January	-	279,267	-	**279,267**
Additions	1,100,000	8,121	10,325	**1,118,446**
At 31 December	1,100,000	287,388	10,325	**1,397,713**
Depreciation :				
At 1 January	-	270,412	-	**270,412**
Depreciation charge for the year	-	3,772	-	**3,772**
At 31 December	-	274,184	-	**274,184**
Net carrying amount				
At 31 December	1,100,000	13,204	10,325	**1,123,529**

	Land *KD*	*Furniture and fixtures* *KD*	*Capital work in progress* *KD*	*2009 Total* *KD*
Cost:				
At 1 January	-	269,475	-	269,475
Additions	-	9,792	-	9,792
At 31 December	-	279,267	-	279,267
Depreciation :				
At 1 January	-	269,375	-	269,375
Depreciation charge for the year	-	1,037	-	1,037
At 31 December	-	270,412	-	270,412
Net carrying amount				
At 31 December	-	8,855	-	8,855

9 ACCOUNTS PAYABLES AND ACCRUALS

	2010 ***KD***	*2009* *KD*
Trade accounts payable	**866,366**	1,062,261
Accrued expenses and other payables	**468,038**	524,005
Amount due to related parties (Note15)	**1,993,576**	3,864,516
	3,327,980	5,450,782

10 BANK BORROWINGS

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

	2010 *KD*	*2009* *KD*
The total facilities comprise of KD 30,000,000 which is 125% secured against the amounts due under instalment credit agreement.	**27,000,000**	26,850,000
The total facilities comprise of KD 11,000,000 which is 120% secured against the amounts due under instalment credit agreement.	**2,500,000**	2,500,000
The total facilities comprise of KD 2,500,000 which is 150% secured against the amounts due under instalment credit agreement.	**2,500,000**	1,850,000
	32,000,000	31,200,000

The undrawn bank overdraft facilities as on the reporting date is KD 25,000 (2009: KD 1,025,000).

11 SHARE CAPITAL

	Authorised, issued and fully paid-up	
	2010 *KD*	*2009* *KD*
Shares of 100 fils each	**20,000,000**	20,000,000

12 STATUTORY RESERVE

In accordance with the Commercial Companies Law and the Parent Company's articles of association, 10% of the profit for the year before contribution to KFAS, Zakat and Directors' fees has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

13 DIVIDEND

For the year ended 31 December 2010, a cash dividend of KD 0.006 per share has been proposed by the board of director and will be submitted for formal approval at the Annual General Meeting. This dividend (totalling KD 1,200,000) has not been recognised as a liability as at 31 December 2010.

Cash dividend of KD 0.005 per share (totalling to KD 1,000,000) proposed by the board of directors for the year ended 31 December 2009 was approved at Annual General Meeting of shareholders on 4 April 2010.

14 EXPENDITURE COMMITMENTS

	2010 KD	*2009 KD*
Capital expenditure commitments		
Estimated capital expenditure contracted for at the statement of financial position date but not provided for:		
Property and equipment	**24,000**	1,560
Operating lease commitments		
Future minimum lease payments:		
Not later than one year	**59,268**	70,530

15 RELATED PARTY TRANSACTIONS

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

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

	2010 KD	*2009 KD*
Administration expenses	**16,251**	28,413

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

	2010 KD	*2009 KD*
Director's fees	**50,000**	50,000
Salaries and short-term benefits	**295,403**	246,507
Employees' end of service benefits	**17,051**	16,212

Amount payable to related parties are repayable on demand and are free of any interest charge (Note 9).

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:

	Up to 3 Months KD	*4 to 12 months KD*	*One year and above KD*	*Total KD*
2010				
ASSETS				
Bank balance and cash	**2,993,120**	-	-	**2,993,120**
Other receivables	-	**105,714**	-	**105,714**
Amounts due under installment credit agreements	**11,694,697**	**20,719,225**	**25,583,287**	**57,997,209**
Property and equipment	-	-	**1,123,529**	**1,123,529**
Goodwill	-	-	**5,875,738**	**5,875,738**
	14,687,817	**20,824,939**	**32,582,554**	**68,095,310**
LIABILITIES				
Accounts payable and accruals	**2,558,216**	**769,764**	-	**3,327,980**
Bank borrowings	**12,000,000**	**20,000,000**	-	**32,000,000**
Employees' end of service benefits	-	-	**151,872**	**151,872**
	14,558,216	**20,769,764**	**151,872**	**35,479,852**
Net liquidity gap	**129,601**	**55,175**	**32,430,682**	**32,615,458**

	Up to 3 months KD	*4 to 12 months KD*	*One year and above KD*	*Total KD*
2009				
ASSETS				
Bank balance and cash	3,236,307	-	-	3,236,307
Other receivables	12,337	119,657	-	131,994
Amounts due under installment credit agreements	6,467,411	20,096,544	31,357,229	57,921,184
Property and equipment	-	-	8,855	8,855
Goodwill	-	-	5,875,738	5,875,738
	9,716,055	20,216,201	37,241,822	67,174,078
LIABILITIES				
Accounts payable and accruals	4,224,787	1,225,995	-	5,450,782
Bank borrowings	-	31,200,000	-	31,200,000
Employees' end of service benefits	-	-	109,140	109,140
	4,224,787	32,425,995	109,140	36,759,922
Net liquidity gap	5,491,268	(12,209,794)	37,132,682	30,414,156

17 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Groups continuing profitability and each individual within the Groups is accountable for the risk exposures relating to his or her responsibilities.

The Group is mainly exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest risk and foreign currency risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. No changes were made in the risk management objectives and policies during the year ended 31 December 2010 and year ended 31 December 2009. The management of the Group 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. The Group is exposed to credit risk on its operating activities primarily from its bank balances, amounts due under instalment 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 instalment credit agreements. It also obtains security when appropriate. No single customer accounts for more than 10% of amounts due under instalment credit agreements at 31 December 2010 (2009: Nil). 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 financial and other statements and willingness to meet commitments as assessed from past track record and trade references. Post disbursal, the receivables are monitored on a continuous basis both at macro and micro levels.

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

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

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 maturity profile is monitored by management to ensure adequate liquidity is maintained.

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

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

17 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

17.1 Liquidity risk (continued)

The maturity profile of the liabilities at the year end based on contractual repayment arrangements and management expectation is as follows:

2010	***1 to 3 months KD***	***4 to 12 months KD***	***Total KD***
Accounts payable and accruals	2,558,216	769,764	**3,327,980**
Bank borrowings	12,334,063	20,395,833	**32,729,896**
TOTAL UNDISCOUNTED LIABILITIES	**14,892,279**	**21,165,597**	**36,057,876**

2009	*1 to 3 months KD*	*4 to 12 months KD*	*Total KD*
Accounts payable and accruals	4,224,787	1,225,995	5,450,782
Bank borrowings	383,594	32,350,781	32,734,375
TOTAL UNDISCOUNTED LIABILITIES	4,608,381	33,576,776	38,185,157

17.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates and foreign exchange rate. The sensitivity analysis in the following sections relate to the position as at 31 December 2010 and 2009.

17.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in floating interest rate will offset future profitability. The Group is exposed to interest rate risk on its interest bearing liabilities (bank borrowings). The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial liabilities held at 31 December 2010. There is no impact on equity.

	Increase/ decrease in basis points	*Effect on profit KD*
2010	**+/- 50**	**160,000**
2009	+/- 50	+/- 156,000

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

17.3.2 Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to any currency risk as all 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 2010 and 31 December 2009. Capital comprises of share capital, statutory reserves and retained earnings and is measured at KD 32,615,458 as at 31 December 2010 (2009: KD 30,414,156).

	2010	*2009*
	KD	*KD*
Accounts payable and accruals	**3,327,980**	5,450,782
Bank borrowings	**32,000,000**	31,200,000
Less: Bank balance and cash	**(2,993,120)**	(3,236,307)
Net debt	**32,334,860**	33,414,475
Total capital	**32,615,458**	30,414,156
Gearing ratio	**100%**	91%

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

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

Financial liabilities consist of accounts payable and accruals and bank borrowing.

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