

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

31 DECEMBER 2012

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Credit One Kuwait Holding Company K.S.C. (Closed) ("the Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

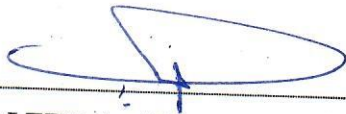
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CREDIT ONE KUWAIT HOLDING COMPANY K.S.C. (CLOSED) (continued)**

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, and by the Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, nor of the Articles of Association have occurred during the year ended 31 December 2012 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
ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS

13 February 2013
Kuwait

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	2012 KD	2011 KD
Finance income		9,133,493	7,958,217
Finance cost		(1,360,197)	(1,378,604)
Net finance income		7,773,296	6,579,613
Administrative expenses		(1,463,484)	(1,435,427)
Provision for doubtful debts	8	(2,061,373)	(1,431,451)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' FEES		4,248,439	3,712,735
Contribution to KFAS		(38,236)	(33,410)
Zakat		(43,003)	(39,428)
Directors' fees	16	(50,000)	(50,000)
PROFIT FOR THE YEAR		4,117,200	3,589,897
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6	4,117,200	3,589,897
BASIC AND DILUTED EARNINGS PER SHARE	7	21 fils	18 fils

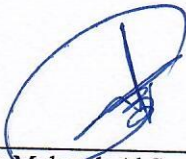
The attached notes 1 to 20 form part of these consolidated financial statements.


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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 KD	2011 KD
ASSETS			
Bank balances and cash		1,386,225	1,628,010
Other receivables		42,405	55,735
Amounts due under installment credit agreements	8	65,654,522	58,778,546
Property and equipment	9	1,156,370	1,147,757
Goodwill		5,875,738	5,875,738
TOTAL ASSETS		74,115,260	67,485,786
LIABILITIES AND EQUITY			
LIABILITIES			
Account payables and accruals	10	3,789,713	4,781,266
Payables under Islamic financing	11	19,850,000	2,500,000
Bank borrowings	11	12,500,000	25,000,000
Employees' end of service benefits		252,992	199,165
Total liabilities		36,392,705	32,480,431
EQUITY			
Share capital	12	20,000,000	20,000,000
Statutory reserve	13	2,203,639	1,778,795
Retained earnings		15,518,916	13,226,560
Total equity		37,722,555	35,005,355
TOTAL LIABILITIES AND EQUITY		74,115,260	67,485,786


Mr. Mubarak Al Sayer
Chairman


Mr. Hazim A. Al Mutairi
Chief Executive Officer

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

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Balance at 1 January 2012	20,000,000	1,778,795	13,226,560	35,005,355
Profit for the year	-	-	4,117,200	4,117,200
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	4,117,200	4,117,200
Transfer to statutory reserve	-	424,844	(424,844)	-
Dividend paid (Note 14)	-	-	(1,400,000)	(1,400,000)
Balance at 31 December 2012	20,000,000	2,203,639	15,518,916	37,722,555
Balance at 1 January 2011	20,000,000	1,407,521	11,207,937	32,615,458
Profit for the year	-	-	3,589,897	3,589,897
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	3,589,897	3,589,897
Transfer to statutory reserve	-	371,274	(371,274)	-
Dividend paid	-	-	(1,200,000)	(1,200,000)
Balance at 31 December 2011	20,000,000	1,778,795	13,226,560	35,005,355

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 CASH FLOW
For the year ended 31 December 2012

	Notes	2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the year		4,117,200	3,589,897
Non cash adjustments to reconcile profit to net cash flows:			
Depreciation	9	9,015	5,760
Provision for employee's end of service benefits		55,704	50,318
Provision for doubtful debts	8	2,061,373	1,431,451
Finance cost		1,360,197	1,378,604
		<u>7,603,489</u>	<u>6,456,030</u>
Working capital adjustments:			
Amounts due under installment credit agreements		(8,937,349)	(2,212,788)
Other receivables		13,330	49,979
Account payables and accruals		(1,205,081)	1,333,972
Receipt of payables under Islamic financing		17,350,000	7,000,000
Repayment of payables under Islamic financing		-	(7,000,000)
Receipt of bank borrowings		400,000	2,250,000
Repayment of bank borrowings		(12,900,000)	(6,750,000)
Finance cost paid		(1,146,669)	(1,259,290)
Net cash flows from (used in) operation		<u>1,177,720</u>	<u>(132,097)</u>
Employees end of service benefits paid		(1,877)	(3,025)
Net cash flows from (used in) operating activities		<u>1,175,843</u>	<u>(135,122)</u>
INVESTING ACTIVITY			
Purchase of property and equipment	9	(17,628)	(29,988)
Cash flows used in investing activity		<u>(17,628)</u>	<u>(29,988)</u>
FINANCING ACTIVITY			
Dividend paid	14	(1,400,000)	(1,200,000)
Cash flows used in financing activity		<u>(1,400,000)</u>	<u>(1,200,000)</u>
DECREASE IN BANK BALANCES AND CASH		<u>(241,785)</u>	<u>(1,365,110)</u>
Bank balances and cash at the beginning of the year		1,628,010	2,993,120
BANK BALANCES AND CASH AT THE END OF THE YEAR		<u><u>1,386,225</u></u>	<u><u>1,628,010</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

At 31 December 2012

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 2012 were authorised for issue in accordance with a resolution of the board of directors on 13 February 2013. 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.

The Parent Company is an Investment Holding Company. Its subsidiary is engaged in the provision of credit facilities to customers through sale on installments of goods and services.

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

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. According to article 2 of the Decree, the Company has a period of 6 months from 29 November 2012 to regularize its affairs in accordance with the Companies Law.

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2012.

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 a wholly owned subsidiary of the Parent Company.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

Finance Income

Finance Income is recognised using the effective 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.

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat

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

Property and equipment

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

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

Furniture and fixture	5 - 10 years
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Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

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

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

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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

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

Classification

The Group classifies its financial instruments as "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.

Recognition of financial assets and liabilities

The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

Measurement

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

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - classification, recognition, measurement, 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 installment 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".

Derecognition of financial assets and liabilities

A financial asset (in whole or in part) is derecognised either when: (i) the rights to receive the cash flows from the asset have expired or (ii) the Group has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of comprehensive income.

Offsetting

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

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated if such evidence exists, any impairment loss, is recognised in consolidated statement of comprehensive income statement. Impairment is determined as follows:

- (a) for assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (b) for assets at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective 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.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)

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

Other receivables

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

Accounts payable 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.

Payables under Islamic financing

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

Bank borrowings

All Bank borrowings 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 national employees, the Group makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

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

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

During the year, the Group has adopted the following new and amended IFRS as of 1 January 2012:

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2012

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Other amendments to IFRS effective as of 1 January 2012 did not have any impact on the financial position or performance of the Group.

4 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income. The Group has used judgement and estimates principally in, but not limited to the following:

Impairment provision of amount due under installment credit agreements

The Group reviews its problem amount due under installment 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.

5 STANDARDS ISSUED BUT NOT EFFECTIVE

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

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
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5 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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

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

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments are not expected to have a significant impact the Group’s financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

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 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption 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.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 “Consolidated and Separate Financial Statements” that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. Based on the preliminary analysis performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

5 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

Improvements to IFRS (issued in May 2012)

IASB issued following improvements to IFRS effective for annual period beginning on or after 1 January 2013.

- IAS 1 Presentation of Financial Statements
- IAS 16 Property Plant and Equipment

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

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
Staff costs	<u>1,234,809</u>	<u>1,048,429</u>
Rentals – operating leases	<u>58,690</u>	<u>51,938</u>

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year.

There are no dilutive potential ordinary shares.

	<i>2012</i>	<i>2011</i>
Profit for the year (KD)	<u>4,117,200</u>	<u>3,589,897</u>
Weighted average number of ordinary shares outstanding (number)	<u>200,000,000</u>	<u>200,000,000</u>
Basic and diluted earnings per share	<u>21 Fils</u>	<u>18 fils</u>

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 At 31 December 2012

8 AMOUNTS DUE UNDER INSTALLMENT CREDIT AGREEMENTS

	2012 KD	2011 KD
Gross amounts due under installment credit agreements	87,164,048	76,391,818
Less: Deferred installment credit income	(10,859,350)	(9,013,473)
	<u>76,304,698</u>	<u>67,378,345</u>
Less: Provision for doubtful debts	(10,650,176)	(8,599,799)
	<u>65,654,522</u>	<u>58,778,546</u>
<i>Amount due within a year:</i>		
Gross amounts due under installment credit agreements	50,436,643	47,644,381
Less: Deferred installment credit income	(6,445,246)	(5,865,959)
	<u>43,991,397</u>	<u>41,778,422</u>
Less: Provision for doubtful debts	(9,587,991)	(7,782,129)
	<u>34,403,406</u>	<u>33,996,293</u>
<i>Amount due within 1 to 5 years:</i>		
Gross amounts due under installment credit agreements	36,727,405	28,747,437
Less: Deferred installment credit income	(4,414,104)	(3,147,514)
	<u>32,313,301</u>	<u>25,599,923</u>
Less: Provision for doubtful debts	(1,062,185)	(817,670)
	<u>31,251,116</u>	<u>24,782,253</u>

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

As at 31 December 2012, amounts due under installment credit agreements at nominal value of KD 11,553,382 (2011: KD 11,074,513) were considered impaired (being over three installments due) and provided for.

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

	2012 KD	2011 KD
At the beginning of the year	8,599,799	7,169,026
Charge for the year	2,061,373	1,431,451
Write off during the year	(10,996)	(678)
	<u>10,650,176</u>	<u>8,599,799</u>

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

	Neither past due nor impaired KD	Past due but not impaired (within three installments due) KD	Total KD
2012	43,392,792	21,358,524	64,751,316
2011	39,478,203	16,825,629	56,303,832

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

9 PROPERTY AND EQUIPMENT

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

	<i>Land KD</i>	<i>Furniture and fixtures KD</i>	<i>Capital work in progress KD</i>	<i>Total KD</i>
Cost:				
At 1 January 2011	1,100,000	287,388	10,325	1,397,713
Additions	-	11,988	18,000	29,988
At 31 December 2011	1,100,000	299,376	28,325	1,427,701
Depreciation :				
At 1 January 2011	-	274,184	-	274,184
Depreciation charge for the year	-	5,760	-	5,760
At 31 December 2011	-	279,944	-	279,944
Net carrying amount				
At 31 December 2011	<u>1,100,000</u>	<u>19,432</u>	<u>28,325</u>	<u>1,147,757</u>

10 ACCOUNTS PAYABLES AND ACCRUALS

	<i>2012 KD</i>	<i>2011 KD</i>
Trade accounts payable	856,328	2,172,507
Accrued expenses and other payables	601,819	409,533
Amount due to related parties (Note 16)	2,331,566	2,199,226
	<u>3,789,713</u>	<u>4,781,266</u>

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
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11 PAYABLES UNDER ISLAMIC FINANCING AND BANK BORROWINGS

a) Payables under Islamic financing

Payables under Islamic financing are denominated in Kuwaiti Dinars and carry profit at commercial rate and are repayable within one year from the reporting date. These are secured against the amounts due under installment credit agreements.

b) 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.

Bank borrowings are guaranteed against the amounts due under installment credit agreements.

12 SHARE CAPITAL

	<i>Authorised, issued and fully paid-up</i>	
	2012	2011
	KD	KD
Shares of 100 fils each	20,000,000	20,000,000

13 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.

14 DIVIDEND

For the year ended 31 December 2012, a cash dividend of KD 0.008 per share has been proposed by the board of directors and will be submitted for formal approval at the Annual General Meeting. This dividend (totalling KD 1,600,000) has not been recognised as a liability as at 31 December 2012.

Cash dividend of KD 0.007 per share (totalling to KD 1,400,000) proposed by the board of directors for the year ended 31 December 2011 was approved at Annual General Meeting of shareholders on 8 April 2012.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

15 EXPENDITURE COMMITMENTS

	2012	2011
	KD	KD
Capital expenditure commitments		
Estimated capital expenditure contracted for at the statement of financial position date but not provided for:		
Property and equipment	7,500	12,000
Operating lease commitments		
Future minimum lease payments:		
Not later than one year	47,796	47,796

16 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.

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

	2012	2011
	KD	KD
Assets		
Bank balances and cash	751,754	333,561
Liabilities		
Bank borrowings	12,500,000	19,000,000
Amount due to related parties	2,331,566	2,199,226

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

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

	2012	2011
	KD	KD
Director's fees	50,000	50,000
Salaries and short-term benefits	457,867	316,697
Employees' end of service benefits	18,778	24,882

Directors' fees of KD 50,000 for the year ended 31 December 2012 is subject to approval at the Annual General Meeting of shareholders. Directors' fees of KD 50,000 for the year ended 31 December 2011 was approved at the Annual General Meeting of shareholders on 8 April 2012.

Credit One Kuwait Holding Company K.S.C. (Closed) and its Subsidiary
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At 31 December 2012

17 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	<i>On demand KD</i>	<i>Up to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>One year and above KD</i>	<i>Total KD</i>
At 31 December 2012					
ASSETS					
Bank balance and cash	-	1,386,225	-	-	1,386,225
Other receivables	-	-	42,405	-	42,405
Amounts due under installment credit agreements	-	12,741,152	21,662,254	31,251,116	65,654,522
Property and equipment	-	-	-	1,156,370	1,156,370
Goodwill	-	-	-	5,875,738	5,875,738
	<u>-</u>	<u>14,127,377</u>	<u>21,704,659</u>	<u>38,283,224</u>	<u>74,115,260</u>
LIABILITIES					
Accounts payable and accruals	2,331,566	856,328	601,819	-	3,789,713
Payables under Islamic financing	-	11,500,000	8,350,000	-	19,850,000
Bank borrowings	-	12,500,000	-	-	12,500,000
Employees' end of service benefits	-	-	-	252,992	252,992
	<u>2,331,566</u>	<u>24,856,328</u>	<u>8,951,819</u>	<u>252,992</u>	<u>36,392,705</u>
	<i>On demand KD</i>	<i>Up to 3 months KD</i>	<i>4 to 12 months KD</i>	<i>One year and above KD</i>	<i>Total KD</i>
At 31 December 2011					
ASSETS					
Bank balance and cash	-	1,628,010	-	-	1,628,010
Other receivables	-	-	55,735	-	55,735
Amounts due under installment credit agreements	-	12,117,363	21,878,930	24,782,253	58,778,546
Property and equipment	-	-	-	1,147,757	1,147,757
Goodwill	-	-	-	5,875,738	5,875,738
	<u>-</u>	<u>13,745,373</u>	<u>21,934,665</u>	<u>31,805,748</u>	<u>67,485,786</u>
LIABILITIES					
Accounts payable and accruals	2,199,226	1,635,538	946,502	-	4,781,266
Payables under Islamic financing	-	-	2,500,000	-	2,500,000
Bank borrowings	-	5,000,000	20,000,000	-	25,000,000
Employees' end of service benefits	-	-	-	199,165	199,165
	<u>2,199,226</u>	<u>6,635,538</u>	<u>23,446,502</u>	<u>199,165</u>	<u>32,480,431</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

18 RISK MANAGEMENT

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

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2012 and 31 December 2011. The management reviews and agrees policies for managing each of these risks which are summarised below:

18.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the date of statement of financial position.

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

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding amounts due under installment credit agreements. The 10 largest customers outstanding as a percentage of gross receivable from customers as at 31 December 2012 is 23% (2011: 20%). The maximum exposure is the carrying amount disclosed in Note 8.

At the time of granting a facility the Group seeks to take into account all aspects of perceived risk and puts in place suitable measures to mitigate these risks. The credit assessment process is extensive and it includes assessment of the capacity to repay as reflected by the financial and other statements and willingness to meet commitments as assessed from past track record and trade references. Post disbursal, the receivables are monitored on a continuous basis both at macro and micro levels.

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

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

18.2 Liquidity risk

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

The Group limits its liquidity risk by ensuring bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments. The Group's terms of business generally require amounts to be paid in installments as per the contractual agreements. It is the Group's policy to obtain short term bank 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.

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18 RISK MANAGEMENT (continued)

18.2 Liquidity risk (continued)

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

At 31 December 2012	On demand KD	1 to 3 months KD	4 to 12 months KD	Total KD
Accounts payable and accruals	2,331,566	856,328	601,819	3,789,713
Payables under Islamic financing	-	11,753,643	8,504,569	20,258,212
Bank borrowings	-	12,610,188	-	12,610,188
TOTAL UNDISCOUNTED LIABILITIES	2,331,566	25,220,159	9,106,388	36,658,113
At 31 December 2011	On demand KD	1 to 3 months KD	4 to 12 months KD	Total KD
Accounts payable and accruals	2,199,226	1,635,538	946,502	4,781,266
Payables under Islamic financing	-	-	2,537,384	2,537,384
Bank borrowings	-	5,247,865	20,299,074	25,546,939
TOTAL UNDISCOUNTED LIABILITIES	2,199,226	6,883,403	23,782,960	32,865,589

18.3 Interest rate risk

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

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

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates for bank borrowings, 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 2012. There is no impact on equity.

	Increase /decrease in basis points	Effect on profit KD
2012	50	62,500
2011	50	125,500

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

Interest 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.

18.4 Foreign currency risk

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

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At 31 December 2012

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 2012 and 31 December 2011. Capital comprises of share capital, statutory reserves and retained earnings and is measured at KD 37,722,555 as at 31 December 2012 (2011: KD 35,005,355).

	2012 KD	2011 KD
Accounts payable and accruals	3,789,713	4,781,266
Payable under Islamic financing	19,850,000	2,500,000
Bank borrowings	12,500,000	25,000,000
Less: Bank balance and cash	(1,386,225)	(1,628,010)
Net debt	34,753,488	30,653,256
Total capital	37,722,555	35,005,355
Gearing ratio	92%	88%

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

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

Financial liabilities consist of accounts payable and accruals, payables under Islamic financing and bank borrowings.

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

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20 القيمة الدفعية الدفعية

2011	2012
35,005,355	37,722,555
30,653,256	34,753,488
(1,628,010)	(1,386,225)
25,000,000	12,500,000
2,500,000	19,850,000
4,781,266	3,789,713
دينار كويتي	دينار كويتي
92%	92%

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