Annual Report

2015-2016

رساميل

RASAMEEL

HH Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

Emir of the State of Kuwait

HH Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

Rasameel Structured Finance Company K.S.C. (Closed)

and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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Board of Directors

Dr. Fahed M. F. Al Rashed	Chairman
Mr. Gerard Snabian	Vice Chairman
Mr. Samir A. Algharaballi	Executive Director & Board Member
Mr. Haytham S. Al Khaled	Board Member
Mr. Mohammad H. Al Refai	Board Member
Mr. Mohammad T. A. Bin Sultan	Board Member
Mr. Abdulaziz M. Al Anjeri	Board Member
Mrs. Hanan Y. A. Yousef	Board Member

Sharia **Supervisory Board**

Sh./Dr. Abdulaziz Khalifa Al Qassar	Chairman
Sh./Dr. Issam KHalaf Al Anzi	Member
Sh./Dr. Ali Ibrahim Al Rashed	Member

Board of Directors **Report**

Dear shareholders,

On behalf of myself and the members of the Board of Directors of Rasameel Structured Finance Co., I have the pleasure to welcome you to our annual General Assembly meeting. I am honored to present to you the ninth annual report for the financial year ended in 31st of March 2016. This annual report includes the Board of Directors' annual report, the latest developments in the company's activities, an up-to-date progress report as well as the Fatwa and Sharia Supervisory Board report and the company's independent auditors' report. In addition to an overview of the most prominent global, regional and local economic developments.

First, I would like to thank our shareholders for their continuous support throughout the year. During the year our company has gone through major structural and business changes. The Acquisition of the company has led to new shareholders coming on board and giving great strength to the shareholding structure of the company. Under the new shareholding structure and new executive management, RSF readies itself for the next phase of growth. It will be useful to review the year gone by in detail and have an understanding of the environmental factors that affect your company's business, its growth in the just completed year and the market trends that will help the company to grow in the future.

The Sharia compliant investment industry like any other business is facing big changes in the global economy and at the same time major changes in investment rules and regulations. Since the global financial crises back in 2008, the world economy has faced one crises after another. The bankruptcies of some international financial institutions and the financial difficulties that some countries have gone through have resulted in weak global economic growth, high unemployment and falling inflation. Those factors have prompted central banks to lower interest rates to levels not seen in recent history. Also forced them to introduce Quantitative Easing measures to shield their economies from facing outright recession. To some extent those measures managed to achieve some of their targets but global economic growth and employment remains to be way below historical trend and potentially could weaken further.

To survive such tough global financial environment and to make sure that RSF can manage the transformation successfully, the shareholders have appointed new CEO at the company and has given him mandate to change the business structure of the company and take all the necessary measures to support the new business plan.

I am pleased to report that within the short period of time those changes took place at the company and a new highly professional executive management was appointed and two new business units were developed. Now I can report that RSF's main business units are centered around the Asset Management business and the Alternative Investments. To make sure that the new business units are properly managed and run successfully, front and back offices were set up to support our future investment activities. Also, local, regional and global counterparties were set up to make sure that our investment activities are in full compliance with rules and regulations and run smoothly. This is one of the major achievement and an important pillar for our future growth. The team at RSF has successfully signed up with Euro Clear bank in Brussels to be our global custodian for all our international equity investments being for the company or our potential clients. Euro Clear Bank is the biggest bank in the world with assets of over US$33trillion.

As I mentioned earlier ,the future focus of RSF is on the Asset Management and the Alternative Investments. At present these two units are offering investment solutions to their clients. The Asset management unit is offering Sharia compliant equity and Sukuk investments in the form of portfolios and funds. It also offers a unique service and that is managing in-house Sharia compliant international equity investments. It has the capability to manage country and sector specific portfolios and funds and tailor make investments as and when requested by clients. As for the Alternative Investments it is focusing on real estate investment products in the local Kuwaiti markets, the GCC and international markets. These real estate investments are specifically selected to meet strict investment criteria's and they generate monthly income for the company and our clients. All of the real estate investments are managed by the Alternative Investment team at RSF.

Global Economic Review

The big fall in oil price that started back in June 2014, continued into 2015 and has caused major sell off in the world financial markets. The GCC countries being major oil producers were affected the most. The ripple effect was seen in the oil and gas industries throughout the world. Major oil and gas companies either cancelled or scaled down their capital investments for the coming years. Also, some of the weaker oil producing countries cancelled their planned spending on their oil and gas industries.

The impact of weak oil prices, weak Eurozone economic growth, slowdown in the Chinese economic growth and the risk of the United Kingdom leaving the European Union weighed heavily on the global economy. In 2015, the global economy grew by 2.4%, slower than the 3% it registered in 2014 and way below the historical trend growth. Unfortunately, this weak global economic growth is expected to continue into the next

Board of Directors **Report** *(continued)*

two years. The US economy grew by 2.5% in 2015 and managed to pull the rest of the world with it. In the Euro Zone, the European Central Bank managed to keep the bloc together and it used all the tools at its disposal to keep the Euro from breaking up. This has helped economic activities and overall economic growth was just under 1.7% for the whole of the Eurozone. Again, Germany was the biggest contributor to the overall Eurozone economic growth. One bright spot in Europe has been the UK economy. The British economy extended its growth and managed to record 2.2% for 2015 with unemployment rate falling to just over 5%. The international concern about the big slowdown in the Chinese economy was over blown. The Chinese economy continued to grow albeit at a slower rate but it is still growing over 6.8% per year.

GCC Economies in 2015

The GCC economies finished the year on a good measure, ignoring the sharp fall in oil price. Geopolitical troubles in some part of the Arab world held back any chance of economic recovery. Some have performed better than the others. All the GCC governments have continued with their economic business plans and a very healthy spending on infrastructure and housing markets. These economic measures were introduced by the GCC governments over the past few years have led to strong economic activities and job creation. However, going forward the big fall in oil price may lead to some slowdown in future economic activities within the GCC countries. The continued fall in oil has forced some of the GCC countries to announce either reductions in government spending or lifting subsidies given to their citizens. The biggest impact of the fall in oil prices was seen in the regions stocks markets.

The Saudi Stock markets fell by -17%, Qatar Stock market went down by -15%, and the Dubai equity index suffered in line and closed the year down by -16.5%. Similar falls were registered in Oman and Bahrain. Also, our local Kuwaiti stock market continued its weakness that we have seen over the past few years and it closed the year down by -14%.

Kuwait Economy

The private sector and consumer spending continues to contribute most to the Kuwaiti economic growth. However, the drop in oil price that started in the second half of 2014 and continued throughout 2015, has contributed negative to the overall economic activities in Kuwait. For the fiscal 2015 the GDP growth was +0.9% against +0.5% in 2014. The global outlook for the oil industry is still unclear in the next few years.

Global demand for oil is still strong but the supply of oil from non OPEC producers have increased dramatically over the past few years. The US has been increasing its production by the use of fracking method. This has helped to increase their production to just over 9million barrel a day, the highest since the early 1970's. The international energy association expect oil price to trade in the range of $50 to $70 for the next couple of years. The Kuwaiti economy should perform much better than those who have much higher costs of oil production. Also, the country has big foreign exchange reserve and a very healthy Sovereign Wealth Funds that should keep it going for a while.

There appears to be greater consensus on continued growth in the non-oil segment of the economy, driven primarily by private consumption and better implementation of the government's development projects. Over all, the Kuwaiti Economy maintained its healthy state in 2015 with oil prices averaging just over $60 per barrel and having a healthy government balance sheet.

Dear Shareholders,

During this year, we have used best practice to revalue all of our assets in line with market value. We have used best standards in our evaluation process to make sure that the assets reflect the true market values. Unfortunately, this has resulted in some write off and hence realized losses. I should be talking about this later. As it is very important for our new business units to develop fast and start making money, we have taken the decision to liquidate some of the real estate investments that are not delivering efficient returns on the capital invested. Any liquidity generated from the sale of these assets will be reinvested effectively in new investments and in our products that can deliver good returns for our shareholders and investors.

As a result of the changes in the business and organization structure the new management at RSF started to use best acceptable practice in their evaluation of all the existing assets held by the company. I can report that the company recorded a total loss of KD 4,392,931 for the year ending 31st of March 2016. Unfortunately, KD 3,728,204 of the total loss was related to taking impairments on our real estate investments in the GCC countries and the balance of the loss of KD 841,448 was the result of operational expense mainly related to new recruitments and indemnity paid out to those who have left the company. The company's total assets decreased to KD 22,461,666 as compared with total assets of KD 25,967,572 in the financial year 2014/2015 exhibiting a decrease of 14%. With regard to shareholder's equity, it decreased to 18,271,536 as compared with total shareholders' equity of 22,654,246 in the financial year 2014/2015

Board of Directors **Report** *(continued)*

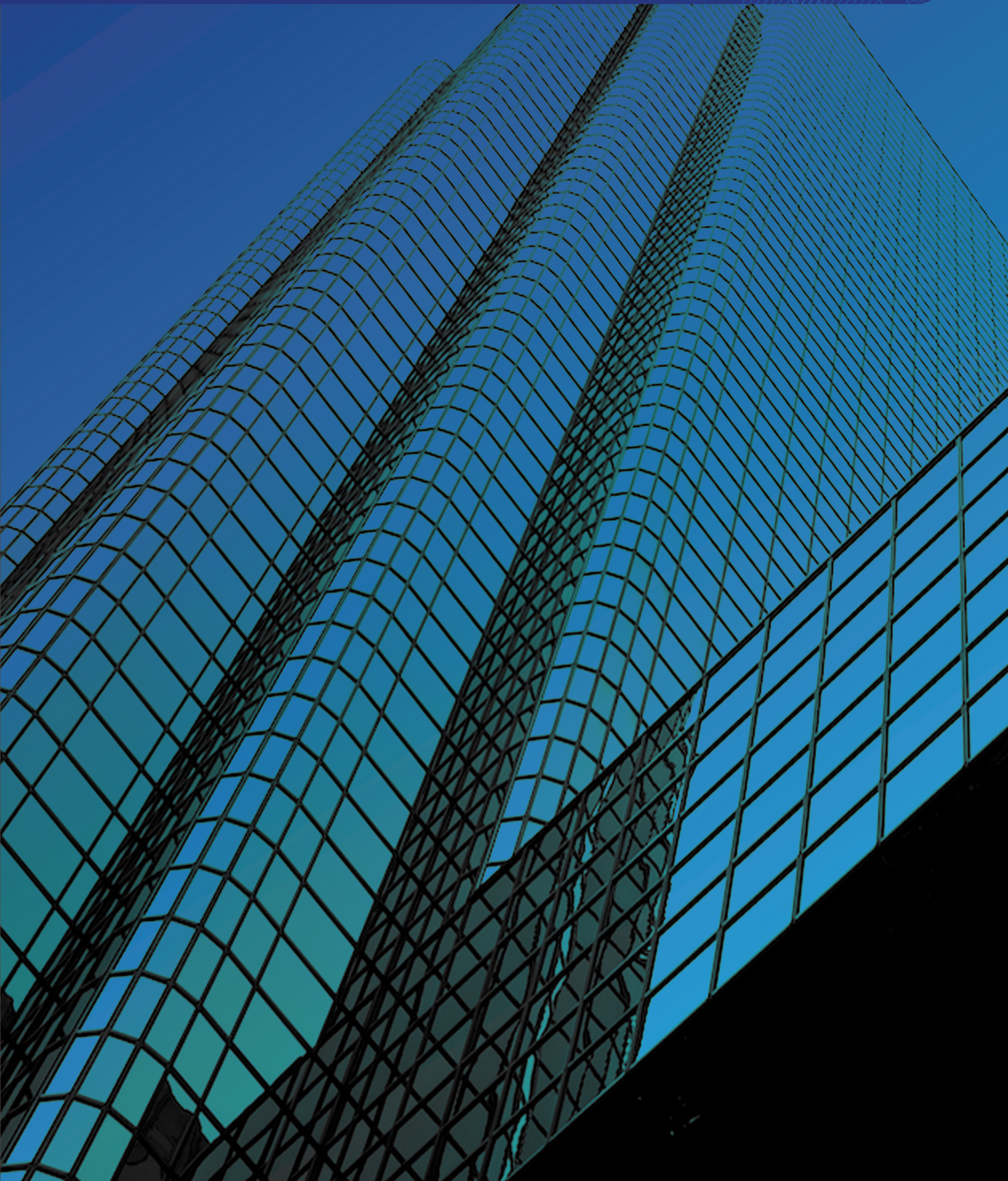
exhibiting a decrease of 19%. Total revenues increased to KD 2,971,246 as compared with revenues of KD 2,063,141for the financial year 2014/2015 exhibiting an increase of 44%. Book value per share amounted to 87 fills as of 31 March 2016 on the capital compared with 108 fills on 31 March 2015. Total liabilities increased to 4,190,130 as compared with total liabilities of KD 3,313,326 in the financial year 2014/2015 resulting in 26% increase

Finally, I like to thank the dedicated staff at RSF for their continuous efforts and the hard work they do in maintaining the reputation of RSF as it stands today. The support of our dedicated shareholders, have helped us to continue doing the right business at the rewarding price. RSF has successfully managed to meet all the regulatory requirements and has established in this regard a professional framework responsible for compliance, good governance and investment risks assessment.

In conclusion, we pray to Allah Almighty that our efforts to provide the best for our shareholders and investors will be successful, and pray to Almighty to bless Kuwait our beloved country and its people under the wise leadership of His Highness Emir of Kuwait and His Highness the Crown Prince and the diligent government.

We would also like to extend our deep thanks and appreciation to the Fatwa and Sharia Supervisory Board for its cooperation, as well as for the company’s executive management and staff for their efforts in supporting the company’s endeavors to achieve its goals and aspirations.

We sincerely thank you for your continued support and assure that we as a Company, will always live up to your expectations.



Sahria Board Committee **Report**

بسم الله الرحمن الرحيم

الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وآله وصحبه...
إلى مساهمي شركة رساميل للهيكلة المالية
السلام عليكم ورحمة الله وبركاته،،

لقد راقبنا المبادئ المستخدمة والعقود المتعلقة بالمعاملات والتطبيقات التي طرحتها المؤسسة خلال الفترة المنتهية في 31 مارس2016م، ومدى التزام المؤسسة بأحكام ومبادئ الشريعة الإسلامية وكذلك بالفتاوى والقرارات والإرشادات المحددة التي تم إصدارها من قبلنا.

تقع مسئولية التأكد من أن المؤسسة تعمل وفقاً لأحكام ومبادئ الشريعة الإسلامية على الإدارة، أما مسئوليتنا فتنحصر في إبداء رأي مستقل بناء على مراقبتنا لعمليات المؤسسة، وفي إعداد تقرير لكم.

لقد قمنا بمراقبتنا التي اشتملت على فحص التوثيق والإجراءات المتبعة من المؤسسة على أساس اختبار كل نوع من أنواع العمليات.

لقد قمنا بتخطيط وتنفيذ مراقبتنا من أجل الحصول على جميع المعلومات والتفسيرات التي اعتبرناها ضرورية لتزويدنا بأدلة تكفي لإعطاء تأكيد معقول بأن المؤسسة لم تخالف أحكام ومبادئ الشريعة الإسلامية.

وفي رأينا:

- أن العقود والعمليات والمعاملات التي أبرمتها الشركة خلال السنة المنتهية في 31 مارس 2016م، التي اطلعنا عليها تمت وفقاً لأحكام ومبادئ الشريعة الإسلامية.

نسأل الله العلي القدير أن يحقق لنا الرشاد والسداد.

والسلام عليكم ورحمة الله وبركاته،،

الشيخ الدكتور/ عبد العزيز خليفة القصار
رئيس هيئة الفتوى والرقابة الشرعية

الشيخ الدكتور/ عصام خلف العنزي
عضو هيئة الفتوى والرقابة الشرعية

الشيخ / علي ابراهيم الراشد
عضو هيئة الفتوى والرقابة الشرعية

Consolidated Statement of Income

For the year ended 31 March 2016

	Notes	2016 KD	2015 KD
INCOME			
Management and arrangement fee		77,901	148,994
Finance income		59,716	148,184
Rental income		879,779	790,246
Investment loss	3	(56,762)	(277,934)
Share of results of an associate	8	242,372	(10,700)
Gain from sale of investment properties		4,913	43,119
Gain from sale of property and equipment		79,287	26,109
Revenue from vehicles rental		1,695,500	1,319,293
Foreign exchange loss		(11,460)	(124,170)
Total income		**2,971,246**	**2,063,141**
EXPENSES			
Cost of vehicles rental		952,716	665,097
General and administrative expenses	4	2,239,743	2,084,708
Portfolio management and collection charges		8,864	23,859
Properties management and maintenance charges		321,863	259,421
Professional and legal fees		148,011	195,001
Finance costs		141,497	127,631
Total expenses		**3,812,694**	**3,355,717**
Net release (provision) for impairment losses on Islamic financing receivables	5	64,161	(74,809)
Unrealised (loss) gain on revaluation of investment properties	9	(3,728,204)	1,719,370
Write back of legal case provision	15	-	1,105,872
(LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATION BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), ZAKAT AND BOARD REMUNERATION		**(4,505,491)**	**1,457,857**
KFAS		-	(19,759)
Zakat		-	(21,594)
Board remuneration	16	-	(22,000)
(LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(4,505,491)**	**1,394,504**
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	11	112,560	-
(LOSS) PROFIT FOR THE YEAR		(4,392,931)	1,394,504

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 KD	2015 KD
(Loss) profit for the year		**(4,392,931)**	**1,394,504**
Other comprehensive (loss) income			
Other comprehensive (loss) income that are or may be reclassified to consolidated statement of income in subsequent periods:			
Net unrealised loss on financial assets available for sale		(361,463)	(196,067)
Exchange difference on translation of foreign operations		10,221	142,044
Realised loss on sale of financial assets available for sale transferred			
to consolidated statement of income	3	31,984	-
Impairment loss on financial assets available for sale transferred to			
consolidated statement of income	3	329,479	252,872
Other comprehensive income for the year		10,221	198,849
Total comprehensive (loss) income for the year		**(4,382,710)**	**1,593,353**

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

Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 KD	2015 KD
ASSETS			
Bank balances and cash		2,368,110	2,226,407
Islamic financing receivables	5	-	2,386,921
Investments at fair value through profit or loss		-	254,994
Other assets	6	925,691	1,026,710
Financial assets available for sale	7	1,208,829	1,763,057
Investment in an associate	8	2,024,668	1,772,792
Investment properties	9	8,806,866	12,468,770
Property and equipment	10	4,938,425	4,067,921
Asset held for sale	11	2,189,077	-
Total Assets		**22,461,666**	**25,967,572**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	21,000,000	21,000,000
Statutory reserve	13	148,297	148,297
Share options reserve		7,510	7,510
Foreign currency translation reserve		237,346	227,125
(Accumulated losses) retained earnings		(3,121,617)	1,271,314
Total equity		**18,271,536**	**22,654,246**
Liabilities			
Islamic finance payables	14	2,891,955	1,814,582
Other liabilities	15	1,049,635	1,122,098
Employees' end of service benefits		248,540	376,646
Total liabilities		**4,190,130**	**3,313,326**
TOTAL EQUITY AND LIABILITIES		**22,461,666**	**25,967,572**

Dr. Fahed M. Al - Rashed
Chairman

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

Consolidated Statement of Changes In Equity

For the year ended 31 March 2016

	Share capital KD	Statutory reserve KD	Share options reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	(Accumulated losses) retained earnings KD	Total KD
As at 1 April 2015	21,000,000	148,297	7,510	-	227,125	1,271,314	22,654,246
Loss for the year	-	-	-	-	-	(4,392,931)	(4,392,931)
Other comprehensive income for the year	-	-	-	-	10,221	-	10,221
Total comprehensive income (loss) for the year	-	-	-	-	10,221	(4,392,931)	(4,382,710)
As at 31 March 2016	**21,000,000**	**148,297**	**7,510**	**-**	**237,346**	**(3,121,617)**	**18,271,536**
As at 1 April 2014	21,000,000	2,511	7,510	(56,805)	85,081	22,596	21,060,893
Profit for the year	-	-	-	-	-	1,394,504	1,394,504
Other comprehensive income for the year	-	-	-	56,805	142,044	-	198,849
Total comprehensive income for the year	-	-	-	56,805	142,044	1,394,504	1,593,353
Transfer to statutory reserve	-	145,786	-	-	-	(145,786)	-
As at 31 March 2015	21,000,000	148,297	7,510	-	227,125	1,271,314	22,654,246

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 KD	2015 KD
OPERATING ACTIVITIES			
(Loss) profit for the year from continuing operations		(4,505,491)	1,457,857
Profit for the year from discontinued operations	11	112,560	-
		(4,392,931)	1,457,857
Non-cash adjustments to reconcile (loss) profit for the year to net cash flows:			
Investment loss	3	56,762	277,934
Share of results of an associate	8	(242,372)	10,700
Gain from sale of investment properties		(4,913)	(43,119)
Gain from sale of property and equipment		(79,287)	(26,109)
Unrealised loss (gain) on revaluation of investment properties	9	3,728,204	(1,719,370)
Depreciation	10	986,188	691,595
Finance costs		141,497	127,631
(Net release of provision) provision for impairment losses on Islamic financing receivables	5	(64,161)	74,809
Write back of legal case provision		-	(1,105,872)
Provision for employees' end of service benefits		117,270	154,686
Foreign exchange loss		11,460	124,170
		257,717	24,912
Working capital changes:			
Islamic financing receivables		115,328	(2,452,922)
Investments at fair value through profit or loss		258,984	-
Other assets		116,956	583,035
Other liabilities		(72,463)	593,407
Cash flows from (used in) operating activities		676,522	(1,251,568)
Employees' end of service benefits paid		(245,376)	(65,099)
Net cash flows from (used in) operating activities		431,146	(1,316,667)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

INVESTING ACTIVITIES			
Proceeds from redemption of financial assets available for sale		25,840	-
Additions to investment properties		(55,728)	(60,278)
Proceeds from sale of investment properties		161,266	466,475
Purchase of property and equipment	10	(2,772,375)	(2,682,761)
Proceeds from sale of property and equipment		994,970	602,383
Investment in joint ventures	11	(629,171)	-
Proceeds from the joint ventures		775,848	-
Proceeds from held to maturity investments	3	227,743	110,231
Income from investment deposits and saving accounts	3	32,288	32,920
Dividend received	3	14,000	21,318
Net cash flows used in investing activities		(1,225,319)	(1,509,712)
FINANCING ACTIVITIES			
Proceeds from Islamic finance payables		1,273,550	30,949
Repayment of Islamic finance payables		(196,177)	-
Finance costs paid		(141,497)	(127,631)
Net cash flows from (used in) financing activities		935,876	(96,682)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**141,703**	**(2,923,061)**
Bank balances and cash as at 1 April 2015		2,226,407	5,149,468
BANK BALANCES AND CASH AS AT 31 MARCH 2016		**2,368,110**	**2,226,407**

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

Notes to The Consolidated Financial Statements

As at 31 March 2016

1. INCORPORATION AND ACTIVITIES

The consolidated financial statements of Rasameel Structured Finance Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 were authorised for issuance in accordance with a resolution of the Parent Company's board of directors on ______ 2016. The Annual General Meeting of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company is a closed shareholding company incorporated in the state of Kuwait on 4 January 2006. The Parent Company is engaged in the following activities:

- Carrying out all types of investments in all fields and participating in incorporating companies both inside and outside Kuwait;
- Managing the funds of public and private institutions;
- Dealing in local and international securities;
- Carrying out finance and brokerage to invest in various sectors inside and outside the State of Kuwait in accordance with the provisions of the Islamic Sharea'a; and
- Providing and preparing studies and technical, economic and valuation consultancy.

The subsidiaries are engaged in the activities of sale, purchase, manage, develop, rent and lease of real estate properties and lands and purchase, sale and leasing of motor vehicles. The details of the subsidiaries are set out in Note 2.2.

The Parent Company is regulated by the Central Bank of Kuwait and the Capital Market Authority. All activities of the Group are performed according to the instructions of the Islamic Sharea'a as approved by the Fatwa and Sharea'a Supervisory Board of the Parent Company.

The registered office of the Parent Company is located at the 13th Floor, Ahmad Tower, Gulf Road, Dasman, Sharq, and P.O. Box 4915, Safat 13050, State of Kuwait.

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

Notes to The Consolidated Financial Statements
As at 31 March 2016

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the International Accounting Standard IAS 39 requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

Basis of preparation
These consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of financial assets at fair value through profit or loss, financial assets available for sale and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the Parent Company's functional and presentation currency.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 March 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

Notes to The Consolidated Financial Statements
As at 31 March 2016

power over an investee, including:

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

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

The Group has no non-controlling interest, the profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The subsidiaries of the Group are as follows:

Notes to The Consolidated Financial Statements

As at 31 March 2016

Name of the company	Total interest in equity % 2016	Total interest in equity % 2015	Principal activities/ type	Country of incorporation
Rasameel Arabian Holding K.S.C.C.	100	100	Holding company	Kuwait
Rasameel International for Credit Facilities W.L.L.	100	100	Credit facilities	Kuwait
Rasameel International Holding K.S.C.C.	100	100	Holding company	Kuwait
Rasameel Global Holding Company K.S.C.C.	100	100	Holding company	Kuwait
Haikala for Economical Studies Company W.L.L.	100	100	Consultancy services	Kuwait
Haikala Holding Company W.L.L.	100	100	Holding company	Bahrain
Rasameel Structuring and General Trading Company L.L.C.	100	100	General trading	UAE
Rasameel Investment Bank Limited	100	100	Consultancy services and investment business	UAE
Rasameel Motors for General Trading & Contracting W.L.L.	100	100	General trading and contracting	Kuwait
Rasameel for Credit Facilities W.L.L.	100	100	Credit facilities	Kuwait
Rasameel International Real Estate Company K.S.C.C.	100	100	Real Estate investments	Kuwait

2.3 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 April 2015.

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IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group's accounting policy.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively for annual periods beginning on or after 1 January 2015 and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

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

2.4 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the

classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this Standard on the Group's consolidated financial statements, when adopted.

IFRS 15 Revenue from contracts with customers
IFRS 15 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group.

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from 1 January 2016 are not expected to have a material impact on the Group.

Additional disclosures will be made in the consolidated 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 consolidated financial position or performance.

2.5 Summary of significant accounting policies and disclosures

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded swaps and profit rate contracts in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the

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acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 payment is made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment, excluding discounts and rebates. 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 principle in all of its revenue arrangements.

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

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- Management, arrangement and advisory fees are recognised when earned upon the performance of the services.
- Islamic financing income are recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.
- Dividend income is recognised when the Group's right to receive payment is established.
- Revenue from saving accounts are recognised as the profit accrues.
- Gain from the sale of properties is recognised when the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.
- Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.
- Revenue from vehicles rental arising from operating leases on vehicles is accounted for on a straight-line basis over the lease terms.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalization of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

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Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

Contribution to Zakat is calculated at 1% of the profit for the year attributable to equity holder of the Parent Company before contribution to KFAS and Directors' remuneration in accordance with the Ministry of Finance resolution No. 58/2007.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, accounts receivable, or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances, Islamic financing receivables, investments at fair value through profit or loss, other assets and financial assets available for sale.

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Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss
- Other assets
- Financial assets available for sale
- Murabaha financings

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and non-trading financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets at fair value through profit or loss are remeasured at fair value with all changes in fair value being recorded in the consolidated statement of income. Transaction costs associated with the acquisition of financial assets at fair value through profit or loss are expensed as incurred.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in consolidated statement of income.

Non-trading financial assets may be designated at initial recognition as financial assets designated as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a Group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment and risk management strategy.

Financial assets at fair value through profit or loss

The Group evaluated its financial assets at fair value through profit or loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, financial assets available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

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Other assets

Other assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective profit rate (EPR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in finance income in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income in finance costs for loans and in other operating expenses for receivables.

Financial assets available for sale

Financial assets available for sale include equity and debt securities (i.e. Sukuks). Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

Financial assets available for sale are initially recognised at cost (including transaction costs associated with the acquisition of the investment) and after initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair value in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair value reserve and recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Islamic financing receivables

Islamic financing receivables consist of consumer financing and murabaha receivables. Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis.

Murabaha receivables are carried at amortised cost including provision for impairment, if any, and are presented net of deferred income.

Impairment and uncollectibility of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective profit rate.

The carrying amount of the asset is reduced through the use of the allowance and the amount of impairment loss is recognised in the consolidated statement of income.

In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% on all cash finance facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments may be impaired.

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In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from cumulative changes in fair value and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; an increase in their fair value after impairment loss is recognised directly in other comprehensive income.

In the case of sukuks classified as financial assets held to maturity, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income. If, in a subsequent year, the fair value of a sukuks increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include islamic finance payable and other liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Islamic financing payables

Islamic financing payables represents financing agreements whereby the Group takes certain amount of cash from other parties, and invests it according to specific conditions in return for certain fee (percentage of the amount invested). Finance charges are accounted on a time proportion basis.

Other liabilities

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the

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respective carrying amounts is recognised in the consolidated statement of income.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

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For unquoted financial instruments fair value is determined by reference to the market value of a similar investments and other appropriate valuation models.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 20.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

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The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of other comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared on different reporting date, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the impairment in the consolidated statement of income.
Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in consolidated statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on the lower of two valuations.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Capital work in progress is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets or over the lease term of leased motor vehicles whichever is less as follows:

• Leasehold improvements	20 years
• Furniture and fixtures	5 years
• Equipment	5 years
• Computer software	5 years
• Leased motor vehicles	Shorter of lease term or 5 years

Capital work in progress is stated at cost. Following completion, capital work in progress is transfer to relevant class of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

When the Group purchases vehicles for the purpose of renting them they are recognized as property and equipment. If and when those vehicles are subsequently held for sale (typically after the end of the lease contract) they are transferred to inventory at the carrying value at the date of transfer. If there is subsequently a new contract for renting those same vehicles they are transferred back to be a component of property and equipment and the Group retrospectively adjusts their carrying value to accord with their useful economic lives.

The assets' residual values, useful lives and methods of depreciation are reviewed at

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each financial year end and adjusted prospectively, if appropriate.

Assets held for sale
Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of the income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the consolidated statement of income.

Non-current assets classified as held for sale are not depreciated or amortised.

Employees' end of service benefits
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its national employees, the Parent Company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Parent Company obligations are limited to these contributions, which are expensed when due.

Foreign currencies translation
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their

respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

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Classification of investments
Management decides on acquisition of an investment whether it should be classified as held for trading, designated at fair value through profit or loss, or available for sale.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as designated at fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported in the regular management accounts, they are classified as at fair value through profit or loss.

All other investments are classified as financial assets available for sale.

Classification of real estate
Management decides on acquisition of a developed and under development property whether it should be classified as investment property, trading property or property and equipment.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property if it is acquired or developed for generating rental income or for capital appreciation, or for undetermined future use. The Group classifies property as property and equipment when it is acquired for owner occupation.

Estimation and assumptions
The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets available for sale
The Group treats equityfinancial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or

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"prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associate companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment, if any (see Note 9).

Valuation of investment properties

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's property.

Useful lives of property and equipment

The Company'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 would be adjusted where the management believes the useful lives differ from previous estimates.

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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.

3. INVESTMENT LOSS

	2016 KD	2015 KD
Unrealised loss on investments at fair value through profit or loss	-	(79,300)
Realised gain on sale of investments at fair value through profit or loss	3,990	-
Realised loss on sale of financial assets available for sale	(31,984)	-
Impairment loss on financial assets available for sale	(329,479)	(252,872)
Reversal of impairment loss on held to maturity investment*	227,743	-
Dividend income	40,680	21,318
Income from investment deposits and saving accounts	32,288	32,920
	(56,762)	**(277,934)**

* *During the year ended 31 March 2016, the Group has received a partial payment amounting to KD 227,743 from its held to maturity investments, which was fully impaired in prior years. Accordingly, the Group has recognised this amount as reversal of impairment loss on held to maturity investment in the consolidated statement of income.*

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4. GENERAL AND ADMINISTRATIVE EXPENSES

	2016 KD	2015 KD
Staff costs and benefits	1,540,128	1,548,156
Rent expenses	146,925	127,350
Depreciation (Note 10)	33,472	26,498
Other expenses	519,218	382,704
	2,239,743	**2,084,708**

5. ISLAMIC FINANCING RECEIVABLES

	2016 KD	2015 KD
Murabaha financing receivable	-	2,386,921

The movement of Islamic financing receivables during the year was as follows:

	2016 KD	2015 KD
At the beginning of the year	2,386,921	8,808
Murabaha (repaid) granted	(115,328)	2,452,922
Transferred to joint venture (Note 11)	(2,335,754)	-
Net release (provision) for impairment losses on Islamic financing receivables	64,161	(74,809)
At the end of the year	**-**	**2,386,921**

As at 31 March 2016, Murabaha and consumer financing receivables at nominal value of KD 220,377 (2015: KD 282,788) were past due or impaired.

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Movements in the general and specific provisions for impairment losses of Islamic financing receivables were as follows:

	General		Specific		Total	
	2016	2015	2016	2015	2016	2015
	KD	KD	KD	KD	KD	KD
At the beginning of the year	165,732	63	282,788	373,648	448,520	373,711
Provided during the year	-	170,654	-	-	-	170,654
Provision no longer required	(1,750)	(4,985)	(62,411)	(90,860)	(64,161)	(95,845)
Provision classification (Note 15)*	(163,982)	-	-	-	(163,982)	-
At the end of the year	**-**	**165,732**	**220,377**	**282,788**	**220,377**	**448,520**

* *During the year 31 March 2016, the Group has contributed for its equity interest of 50% in Rasameel Auto Lease 1 (joint venture), through the transfer of Murabaha finance receivables amounting to KD 2,335,754 (contribution in kind) and transfer of cash consideration amounting to KD 629,171 (Note 11). In compliance with the Central Bank of Kuwait's instructions, the Group has provided a general provision of KD 140,000 and an additional provision of KD 23,982 for Murabaha finance receivables transferred the balance to the joint venture. As a result, the Group has reclassified the total provision amounting to KD 163,982 related to the Murabaha financing receivables to other liabilities within the consolidated statement of financial position.*

6. OTHER ASSETS

	2016 KD	2015 KD
Vehicle lease receivable	318,045	301,125
Accrued income	131,073	237,396
Amount due from a related party (Note 16)	-	51,584
Staff receivable	42,085	103,539
Advance, deposit and prepayments	309,066	179,328
Other receivables	125,422	153,738
	925,691	**1,026,710**

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7. FINANCIAL ASSETS AVAILABLE FOR SALE

	2016 KD	2015 KD
Unquoted managed fund	106,551	168,200
Unquoted equity securities	1,102,278	1,594,857
	1,208,829	**1,763,057**

Unquoted managed fund with a carrying value of KD 106,551 (2015: KD 168,200) is carried at fair value as advised by the investment manager. The Group's management has performed a detailed review of the financial assets and, as a result, an impairment loss of KD 35,811 (2015: KD 237,784) has been recorded in the consolidated statement of income.

As at 31 March 2016, unquoted equity securities amounting to KD 1,102,278 (2015: KD 1,594,857) are carried at cost, less impairment if any, due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these financial assets. There is no active market for these financial assets and the Group intends to hold them for the long term.

The Group's management has performed a detailed review of unquoted equity securities based on the latest available financial information of these investments to assess whether impairment has occurred in the value of these investments and, as a result, an impairment loss of KD 293,668 (2015: KD 15,088) has been recorded in the consolidated statement of income.

8. INVESTMENT IN AN ASSOCIATE

Details of the Group's associate are as follow:

		Equity interest		Carrying value	
Name of company	Country of incorporation	2016 %	2015 %	2016 KD	2015 KD
Muharraq Mall Company L.L.C.	Bahrain	22.5	22.5	2,024,668	1,772,792

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The following table illustrates the Group's investment in an associate:

	2016	2015
	KD	KD
At the beginning of the year	1,772,792	1,673,706
Share of results	242,372	(10,700)
Foreign currency translation adjustment	9,504	109,786
	2,024,668	**1,772,792**

The following table provides summarised financial information of the Group's investment in associate:

	2016	2015
	KD	KD
Current assets	1,469,800	170,959
Non-current assets	17,850,902	17,299,247
Current liabilities	(2,908,068)	(3,487,681)
Non-current liabilities	(7,932,664)	(6,619,237)
Net assets	**8,479,970**	**7,363,288**
Proportion of the Group's ownership	22.5%	22.5%
Group's share in the equity	1,907,993	1,656,740
Goodwill	116,675	116,052
	2,024,668	**1,772,792**

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	2016 KD	2015 KD
Rental income	1,964,043	-
Other income	208,340	10,946
General and administrative expenses	(1,095,173)	(58,502)
Profit (loss) for the year	1,077,210	(47,556)
Group's share in profit (loss) on the year	**242,372**	**(10,700)**

The Group's share in associate profit for the year ended 31 March 2016 amounted to KD 242,372 was for a period of 15 months from 1 January 2015 to 31 March 2016 after taking into account the significant transactions for the 3-months period from 1 January 2016 to 31 March 2016.

9. INVESTMENT PROPERTIES

	2016 KD	2015 KD
At the beginning of the year	12,468,770	11,112,478
Additions	222,653	60,278
Disposals	(156,353)	(423,356)
Unrealised (loss) gain on revaluation	(3,728,204)	1,719,370
At the end of the year	8,806,866	12,468,770

Investment properties are categorised as developed properties.

The fair values of the investment properties are calculated based on the lower of the two valuations obtained from two professional independent real estate valuers. Fair value of investment properties are determined by reference to value of recent transactions in the market for similar properties. As significant valuation inputs used are based on unobservable market data, these are classified under level 3 fair value hierarchy. An analysis of fair values and further are provided in Note 20.

Certain investment properties with fair value of KD 1,893,160 (2015: KD 2,100,254) are pledged against Islamic finance payables (Note 14).

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10. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Equipment	Computer software	Leased motor vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
As at 1 April 2015	175,127	161,316	186,914	134,925	4,813,562	-	5,471,844
Additions during the year	15,050	5,249	16,538	1,152	2,734,386	-	2,772,375
Disposals during the year	-	-	-	-	(1,406,269)	-	(1,406,269)
As at 31 March 2016	190,177	166,565	203,452	136,077	6,141,679	-	6,837,950
Depreciation							
As at 1 April 2015	105,908	150,125	143,382	117,755	886,753	-	1,403,923
Charge for the year	4,474	5,063	15,858	8,077	952,716	-	986,188
Relating to the disposals	-	-	-	-	(490,586)	-	(490,586)
As at 31 March 2016	110,382	155,188	159,240	125,832	1,348,883	-	1,899,525
Net carrying amount							
As at 31 March 2016	79,795	11,377	44,212	10,245	4,792,796	-	4,938,425

10. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements	Furniture and fixtures	Equipment	Computer software	Leased motor vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
As at 1 April 2014	173,342	158,516	160,082	123,429	2,894,626	7,152	3,517,147
Additions during the year	2,285	2,300	26,832	4,344	2,647,000	-	2,682,761
Transfers	(500)	500	-	7,152	-	(7,152)	-
Disposals during the year	-	-	-	-	(728,064)	-	(728,064)
As at 31 March 2015	175,127	161,316	186,914	134,925	4,813,562	-	5,471,844
Depreciation							
At 1 April 2014	102,424	146,546	131,456	110,246	373,446	-	864,118
Charge for the year	3,484	3,579	11,926	7,509	665,097	-	691,595
Relating to the disposals	-	-	-	-	(151,790)	-	(151,790)
As at 31 March 2015	105,908	150,125	143,382	117,755	886,753	-	1,403,923
Net carrying amount							
As at 31 March 2015	69,219	11,191	43,532	17,170	3,926,809	-	4,067,921

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The future minimum lease rent receivable on the operating leases of motor vehicles is as follows:

	2016	2015
	KD	KD
Income receivable within one year	1,358,435	441,623
Income receivable after one year but no more than three years	1,071,136	360,499
	2,429,571	**802,122**

The depreciation charge for the year have been allocated to as follows:

	2016	2015
	KD	KD
Administrative expenses	33,472	26,498
Cost of vehicles rental	952,716	665,097
	986,188	**691,595**

11. DISCONTINUED OPERATIONS

During the year 31 March 2016, the Group contributed for its equity interest of 50% in Rasameel Auto Lease 1 classified as a joint venture which is involved mainly in financing activities, through the transfer of Murabaha finance receivables amounting to KD 2,335,754 (contribution in kind) and transfer of cash consideration amounting to KD 629,171. The Group's interest in the joint venture was accounted for using the equity method in the consolidated financial statements.

During the year ended 31 March 2016, the board of directors passed a resolution to dispose the Group's interest in the joint venture. The board of directors have committed to a plan to sell the asset and are currently actively engaged in a program to locate a buyer and complete the sale within one year at a reasonable price. Accordingly, the joint venture was classified as disposal group held for sale in the consolidated statement of financial position.

The results for the period of discontinued operations are presented below:

	2016 KD	2015 KD
Share of results of joint venture	112,560	-
Profit for the year from discontinued operations	112,560	-

12. SHARE CAPITAL

The authorised, issued and fully paid in share capital of the Parent Company as at 31 March 2016 comprised of 210,000,000 (2015: 210,000,000) shares of 100 (2015: 100) fils each, paid in cash.

13. STATUTORY RESERVE

As required by Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, 10% of the profit for the year before contribution to KFAS, Zakat and directors remuneration should be transferred to statutory reserve.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital in periods when retained earnings are not sufficient for the payment of a dividend of that amount.

No transfer has been made during the year due to the losses incurred by the Group.

14. ISLAMIC FINANCE PAYABLES

2016	Ijara KD	Murabaha KD	Total KD
Gross amount	2,417,274	1,258,825	3,676,099
Less: deferred profit	(696,794)	(87,350)	(784,144)
	1,720,480	1,171,475	2,891,955

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2015	Ijara	Murabaha	Total
	KD	KD	KD
Gross amount	2,671,971	-	2,671,971
Less: deferred profit	(857,389)	-	(857,389)
	1,814,582	**-**	**1,814,582**

Ijara payables carry an average profit rate of 6.75 % (2015: 6.75%) per annum and are payable in equal installments on a monthly basis amounting AED 218,294 (equivalent to KD 17,900) and the last installment is due on 3 July 2023.

Murabaha payables carry an average rate ranging from 5% to 5.5% (2015: Nil) per annum and last installment is due on 30 November 2018.

Islamic finance payables amounting to KD 1,720,480 (2015: KD 1,814,582) are secured by certain investment properties amounting to KD 1,893,160 (2015: KD 2,100,254) (Note 9).

15. OTHER LIABILITIES

	2016	2015
	KD	KD
Accrued expenses	289,960	175,458
Provision for Zakat and KFAS	-	41,353
Payable to supplier	214,086	285,736
Advance rental and deposits	63,306	107,452
Murabaha receivables provision (Note 5)	163,982	-
Other liabilities and accruals	318,301	512,099
	1,049,635	**1,122,098**

In 2009, one of the customers of the Group (" Maritime Tankers and Shipping Company") filed a lawsuit against the Parent Company claiming a breach in terms of the financing agreement. The Court of First Instance ruled in the favor of Maritime Tankers and Shipping Company, which resulted in the Parent Company recognizing a provision amounting to KD 1,105,872. Subsequently, the Parent Company raised the case to the Court of Appeal and won the legal case on 24 December 2014 since the customer did not provide sufficient evidence to support the initial Lawsuit. Despite the possibility that Maritime Tankers and Shipping Company may raise this case to Cessation court, the Parent Company released the provision during the year ended 31 March 2015, since the possibility of an outflow of resources embodying economic benefits is considered by the management as remote.

16. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors 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 and balances with related parties included in the consolidated financial statements are as follows:

	Major shareholders	2016	2015
	KD	KD	KD
Consolidated statement of financial position			
Amount due from a related party (Note 6)	-	-	51,584
Key management compensation			
Salaries and short-term benefits		286,535	313,439
Employees' end of service benefits		29,998	42,185
		316,533	**355,624**

The annual general assembly of the shareholders of the Parent Company held on 25 October 2015 approved the consolidated financial statements and the Directors' remuneration of KD 22,000 for the year ended 31 March 2015.

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17. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss, financial assets available for sale and investment in an associate is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

2016	On demand KD	Within 3 months KD	3 to 12 months KD	Over 1 year KD	Total KD
ASSETS					
Bank balances and cash	2,368,110	-	-	-	2,368,110
Other assets	40,015	185,254	563,622	136,800	925,691
Financial assets available for sale	-	-	-	1,208,829	1,208,829
Investment in an associate	-	-	-	2,024,668	2,024,668
Investment properties	-	-	-	8,806,866	8,806,866
Property and equipment	-	-	-	4,938,425	4,938,425
Non-current asset held for sale	-	-	2,189,077	-	2,189,077
TOTAL ASSETS	**2,408,125**	**185,254**	**2,752,699**	**17,115,588**	**22,461,666**
LIABILITIES					
Islamic finance payables	-	122,896	315,326	2,453,733	2,891,955
Other liabilities	228,836	652,738	82,715	85,346	1,049,635
Employee's end of service benefits	-	-	-	248,540	248,540
TOTAL LIABILITIES	**228,836**	**775,634**	**398,041**	**2,787,619**	**4,190,130**

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2015	On demand KD	Within 3 months KD	3 to 12 months KD	Over 1 year KD	Total KD
ASSETS					
Bank balances and cash	2,226,407	-	-	-	2,226,407
Islamic financing receivables	-	450,460	781,908	1,154,553	2,386,921
Financial assets at fair value through profit or loss	-	254,994	-	-	254,994
Other assets	220,284	172,368	147,262	486,796	1,026,710
Financial assets available for sale	-	-	-	1,763,057	1,763,057
Investment in an associate	-	-	-	1,772,792	1,772,792
Investment properties	-	-	-	12,468,770	12,468,770
Furniture and equipment	-	-	-	4,067,921	4,067,921
TOTAL ASSETS	**2,446,691**	**877,822**	**929,170**	**21,713,889**	**25,967,572**
LIABILITIES					
Islamic finance payable	-	23,043	69,129	1,722,410	1,814,582
Other liabilities	-	490,779	610,615	20,704	1,122,098
Employee's end of service benefits	-	-	-	376,646	376,646
TOTAL LIABILITIES	**-**	**513,822**	**679,744**	**2,119,760**	**3,313,326**

18. RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. It is managed by members of senior management drawn from all key areas of the Group, who guide and assist with overall management of the Group's risks. Each individual

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within the Group is accountable for the risk exposures relating to their responsibilities.

The Group is exposed to credit risk, liquidity risk and market risk (profit rate risk, equity price risk and currency risk).

The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

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 has policies and procedures in place to limit the amount of credit exposure to any counter party.

Maximum exposure to credit risk

The Group's policy is to enter into Islamic financing arrangements only with recognised, creditworthy third parties. The maximum aggregate exposure is the gross amount as disclosed in Note 5 and Note 11. In addition, these receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances and cash, and certain classes of other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum risk credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group's Islamic financing receivables are primarily granted to customers located in the State of Kuwait.

The table below provides information regarding the Group's maximum exposure to credit risk without taking account of credit enhancements:

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	Gross maximum exposure	
	2016	2015
	KD	KD
Bank balances and cash	2,368,110	2,226,407
Islamic financing receivables, net of provisions	-	2,386,921
Other assets	925,691	1,026,710
Assets held for sale	2,189,077	-
	5,482,878	**5,640,038**

Unimpaired receivables are expected, on the basis of the past experience, to be fully recoverable.

Credit quality of financial assets that are neither past due nor impaired
For Islamic financing receivables and other receivables, neither internal credit grading system nor external credit grades are used by the Group.

The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of lending activities.

Analysis of past due but not impaired
All the past due finance facilities are impaired. See Note 5 for more detailed information with respect to the impairment losses on Islamic financing receivables.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, Parent Company's management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows, based on contractual repayment obligations which include future profit payments over the life of these financial liabilities.

The liquidity profile of undiscounted financial liabilities at 31 March was as follows:

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	1 to 3 months KD	3 to 12 months KD	Over one year KD	Total KD
As at 31 March 2016				
Islamic finance payables	171,682	527,067	2,977,350	3,676,099
Other liabilities	881,574	82,715	85,346	1,049,635
	1,053,256	**609,782**	**3,062,696**	**4,725,734**
As at 31 March 2015				
Islamic finance payable	31,177	93,531	2,547,263	2,671,971
Other liabilities	490,779	610,615	20,704	1,122,098
	521,956	**704,146**	**2,567,967**	**3,794,069**

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk as the Group's profit bearing assets and liabilities carry profit at fixed rates.

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments.

The effect on other comprehensive income (as a result of a change in the fair value of financial assets available for sale) and the Group's loss for the year (as a result of a change in the fair value of investments carried at fair value through profit or loss) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

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	31 March 2016			31 March 2015		
Market indices	Change in equity price	Effect on consolidated statement of other comprehensive income	Effect on consolidated statement of income	Change in equity price	Effect on consolidated statement of other comprehensive income	Effect on consolidated statement of income
	%	KD	KD	%	KD	KD
Kuwait	+5	20,150	-	+5	28,700	12,749
Others	+5	40,291	-	+5	59,543	-

The effect of decrease in equity price percentage is expected to be equal and opposite to the effect of the increases shown above.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. The Group does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The Group had the following net foreign currency exposures at 31 March:

	2016	2015
	KD	KD
US Dollar	1,069,394	840,190
Bahraini Dinar	486,162	510,164
AED	1,667,325	1,710,910
Saudi Riyal	104,393	110,793

The effect on results for the year (due to change in the fair value of monetary assets and liabilities) and on other comprehensive income, as a result of change in currency rate of foreign operations, with all other variables held constant is shown below:

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As at 31 March 2016

	31 March 2016			31 March 2015		
	Change in currency rate	Effect on consolidated statement of income	Effect on other comprehensive income	Change in currency rate	Effect on consolidated statement of income	Effect on other comprehensive income
	%	KD	KD	%	KD	KD
US Dollar	+5	37,346	16,123	+5	7,774	34,325
AED	+5	83,366	-	+5	85,545	-
Saudi Riyal	+5	5,219	-	+5	5,539	-
Bahraini Dinar	+5	139	24,168	+5	290	25,218

The effect of decrease in currency rate is expected to be equal and opposite to the effect of the increases shown above.

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.

To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years end 31 March 2016 and 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio at the minimum level. The Group includes within net debt, Islamic finance payables and other liabilities less bank balances and cash.

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	2016 KD	2015 KD
Islamic finance payables	2,891,955	1,814,582
Other liabilities	1,049,635	1,122,098
Less: Bank balances and cash	(2,368,110)	(2,226,407)
Net debt	1,573,480	710,273
Equity	18,271,536	22,654,246
Capital and net debt	**19,845,016**	**23,364,519**
Gearing ratio	8%	3%

20. FAIR VALUES

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. This level also includes items whose fair values have been provided by reputable external fund managers
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows an analysis of the Group's assets recorded at fair value by level of the fair value hierarchy as at 31 March:

Notes to The Consolidated Financial Statements

As at 31 March 2016

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
At 31 March 2016				
Financial assets available for sale				
Unquoted managed fund	-	106,551	-	106,551
Investment properties	-	-	8,806,866	8,806,866
	-	**106,551**	**8,806,866**	**8,913,417**

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
At 31 March 2015				
Investments at fair value through profit or loss				
Quoted equity securities	254,994	-	-	254,994
Financial assets available for sale				
Unquoted managed fund	-	168,200	-	168,200
Investment properties	-	-	12,468,770	12,468,770
	254,994	168,200	12,468,770	12,891,964

During the year ended 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of financial instruments are not materially different from their carrying values except for available for sale investment carried at cost.

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As at 31 March 2016

The following table shows a reconciliation of the beginning and closing balances of the Group's assets classified in level 3 of the fair value hierarchy:

31 March 2016	As at 1 April	(Loss) gain recorded in the consolidated statement of income	Net purchases, sales, transfers and settlements	As at 31 March
	KD	KD	KD	KD
Assets measured at fair value				
Investment properties	**12,468,770**	**(3,728,204)**	**66,300**	**8,806,866**
31 March 2015				
Assets measured at fair value				
Investment properties	11,112,478	1,719,370	(363,078)	12,468,770