Annual Report 2011 2012

رساميل
RASAMEEL
Structured Finance Co.(K.S.C.c) (ش.م.ك.م) للهيكلة المالية

بسم الله الرحمن الرحيم

“If the people of the towns had but believed and feared Allah,
We should indeed have opened out to them (All kinds of)
blessings from heaven and earth...”

Surat Al-E’raf verses 96

H.H. Shaikh
Sabah Al-Ahmed-Al-Jaber Al Sabah
Amir of State of Kuwait

H.H. Shaikh
Nawaf Al-Ahmed-Al-Jaber Al Sabah
Crown Prince

.repeed kooL

Success begins with understanding
A deeper understanding of the market
- and the forces that are changing it
- has led us to chart an innovative strategy.
We believe our insights into
a fast-changing world lead us
to understand what it takes to succeed.

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As you

READ

through our Annual Report, you will notice the difference

BETWEEN

our cautious optimism of previous years and the confidence of today.

THE

results have validated our strategy, and as we push onward,

we expect our bottom

LINE

to continue to improve.

Board of Directors

Mr. Issam Zaid Al-Tawari
Chairman & Managing Director

Mr. Ahmad A. Al-Bahar
Vice Chairman

Mr. Khaled Gh. Baranbo
Member

Mr. Meshari M. Al-Judaimi
Member

Mr. Moustafa I. El-Gohary
Member

Mr. Osama F. Al-Bannay
Member

Mr. Othman I. Al-Askar
Member

Shariah Supervisory Board

Sh./Dr. AbdulSattar A. AbuGhudah
Chairman

Sh./Dr. Issa Zaki
Member

Sh./Dr. Yousef Al Sharrah
Member

Sh. AbdulSattar A. Al-Kattan
Member

TINY seeds

have a habit
of turning
into mighty trees.
Indeed, successful
investing is about
finding the right
emerging opportunities,
before they have realised their full potential.
So the projects and undertakings
we are investing in and creating
today don't look small at all;
if anything,we believe their potential is

HUGE.

Chairman's Statement

OUTLINE & STRUCTURE

In the name of Allah

On behalf of myself and the esteemed board of directors of Rasameel Structured Finance Company, allow me to welcome you to our 6th Annual General Meeting. As the company reaches its five-year milestone, I take this opportunity to sincerely thank all of those who have provided steadfast support to the company through these often challenging times.

It is my pleasure to present to you Rasameel's Annual Report, the Auditor's Report, the Annual Financial Statements and the Shariah Supervisory Board's Report. The past year has been one of cautious recovery amidst turbulent market conditions, in Kuwait and across the region.

In light of these challenges, I am especially pleased that Rasameel can announce a return to profitability this year. The net income for the 2011-2012 fiscal year was KD 574,421 (earnings of 1.9 fils per share) compared to a net loss of KD 564,422 (loss of 1.9 fils per share) for the 2010-2011 fiscal year.

The financial statements showed an increase in total assets by 1.04% to KD 27,564,671 during the financial year 2011-2012 compared to a total asset of KD 27,281,101 in the previous fiscal year 2010-2011.

The company's total net assets or positive equity increased by 1.83% to KD 24,419,377 compared to the total net assets of KD 23,979,448 during the previous fiscal year 2010-2011. Total revenue in the fiscal year 2011-2012 was KD 2,781,676, an increase of 81.4% compared to the previous fiscal year 2010-2011 and its Net book value stood at 81 fils per share as of 31 March 2012. Total liability declined by 4.74% to KD 3,145,294 compared to the previous fiscal year 2010-2011.

Rasameel's cash position remains healthy, standing at KD 4,226,283 as at the end of the fiscal year 2011-2012. Staying true to our principles of prudence and fiscal responsibility, the company is not significantly leveraged; its debts constitute only 8.20% of its total assets. Nevertheless, the company maintains a strong financial position, with its current assets ratio indicating that it is able to cover 15 times its current liabilities.

Achievements

Throughout 2011, Rasameel was actively engaged in creating opportunities for income and growth. The company successfully secured a landmark agreement with A'ayan Leasing and Investment Company ("Aayan") to acquire a KD 6.7 million portfolio of auto finance receivables from Aayan. Rasameel also concluded an agreement with Yousef Ahmad Alghanim & Sons ("YAAS"), where Rasameel was mandated to advise, structure and arrange a landmark US$ 100 million Islamic Medium Term Note Programme ("MTN"). The MTN programme aimed to leverage YAAS' strong reputation and long-standing credit strength to establish a diversified funding base by tapping into the local and regional Shariah-compliant debt capital markets.

As part of Rasameel's future strategy, the company established Al Anfal Leasing Company for the purpose of carrying out auto lease activities to originate a stream of cash flows that can be monetized. Also, the company successfully identified potential customers for leasing and auto finance operations. Accordingly, this new line of business is a feeder business to Rasameel original securitization mandate. Among other leasing businesses, this company will offer dealer branded leasing programs that are unique in Kuwait and designed to serve the elite customers of luxury brands. These programs are designed to make use of auto lease a much easier and more rewarding experience than ever, free of credit facilities commitments and routine procedures, all to provide such exclusive and distinct services. There is a wide gap in Kuwait between the growing needs for luxury vehicle lease by elite customers and the available plans and programs to meet such plans. Dealer branded are lease programs quite consistent with the new business plan, designed recently by the company to keep pace with the future requirements of this market segment away from the normal competition in the wider sector.

As part of its restructuring, the company established Yathreb Real Estate Company ("Yathreb") and successfully started transferring Rasameel's real estate assets to it. Yathreb is going to be the real estate vehicle of Rasameel. The company's investments in the Burj Hajar project witnessed a significant increase in value, due to increased business interest and investment activity in Makkah.

Rasameel has also been sowing the seeds for future growth. The company took the first steps towards the formation of a Sukuk Exchange in Kuwait, by submitting a request to the Capital Markets Authority during the year; the request is currently under review.

Chairman's Statement

The path ahead

As Rasameel successfully celebrates its first five years, we cannot rest on our laurels. The company is in the process of adapting to changing market conditions and is implementing a strategic plan for the next five years that will extend our success. This prudent strategy seeks to create a stable operational base built on sustainable, secure revenue streams, supplemented by peripheral activities. At the core of the business model is Rasameel's strategy to become a key player in the Debt Capital Market ("DCM") and a major originator of structured asset-backed securities. The company will participate in the local and regional DCM as both an advisor to clients and as an arranger.

Rasameel will also focus on the leasing and receivables operations as sources for creating pools of asset-backed securities. Within the leasing sector, the company will establish an auto-leasing business and will seek out car and fleet leasing agencies as sources for secure cash flow. Through the company's receivables operations, Rasameel will seek to generate income streams from auto finance and consumer finance, primarily merchant card financing for 'white goods'. Having secured these diversified pools of assets for monetization, Rasameel will be excellently positioned to be a leading provider of Shariah compliant asset-backed securities.

As the strategy is rolled out, Rasameel will seek to refine and perfect the implementation and then replicate the business model in the GCC mainly UAE and Saudi Arabia, working with local partners in these markets.

Through the triumphs and turbulence of the past five years, Rasameel has succeeded because we have not lost sight of our original mandate and our guiding principles. As we adapt to a rapidly changing market, we look forward to reaping the rewards of the strategic restructuring outlined above.

In conclusion, on behalf of Rasameel, I would like to extend my appreciation to our esteemed Board of Directors, respected scholars, and members of the Shariah Supervisory Board, company shareholders and staff members. May Allah grant his blessings upon us all.

Issam Al Tawari
Chairman & Managing Director

Results come from precise execution of strategy, the courage to change direction and a passion for performance. These principles are not just behind every investment we make; they are at at **our core.**

Shariah Supervisory Board's Report

Praise be to Allah, and peace and glory be upon Prophet Mohammed, His Family and all His Companions.

Dear Rasameel Structured Finance Company Shareholders,

Pursuant to Rasameel Annual General Assembly decision to appoint us as Shariah Supervisory Committee for the Company and mandated us to do so, we have reviewed the contracts pertaining to the transactions and applications which the company have entered into during the fiscal period ending on 31st March, 2012, to provide our opinion regarding whether the company have abided by the provisions of the Islamic Shariah principles, as per our decisions and guidance which we have issued.

The company management is responsible not to violate Islamic Shariah principles and rules, as per our decisions and Fatwa in all company activities, therefore, our opinion is limited to provide independent opinion regarding the extent of company's management compliance, and present a report based on our review of company activities.

We have preformed our review of company activities, the examination included review of contracts and company procedures based on examining all types of activities. We have also planned and executed our review to obtain all the information and explanations that are deemed necessary for the purpose of providing us with reasonable evidence and assurance that the company did not violate the provisions of the Islamic Shariah.

In our opinion:
The contracts and transactions that have been entered into by the company during the fiscal period ending as on 31 March 2012, were performed in accordance with the provisions of the Islamic Shariah.

All company income that were realized by means that are prohibited under the Islamic Shariah principles, the company management assured us that they it was directed to charitable purposes.

The computation of Zakat was performed in accordance with Islamic Shariah rules.

Seeking the guidance of Allah the Almighty,

Wasalamu Alaikum Wa Rahmatu Allah Wa Barakatuh

Sh./Dr. Abdul Sattar Abu Ghuddah
Head of Shariah Supervisory Board

Sh./Dr. Essa Zaki
Board Member

Sh./Dr. Yousef Hassan Al Sharrah
Board Member

Sheikh Abdul Sattar Al Qattan
Board Member

Financial highlights

Rasameel and its subsidiaries have on the whole returned to black and recorded a net profit amounting to KD 574,421 for the financial year ended 31 March 2012.

Rasameel's total equity improved from KD23.9mil in the previous financial year to KD24.4mil during the financial year under review thereby improving the NBV per share from 80 fils per share previously to 81 fils per share during the financial year under review.

In addition, Rasameel's total assets increased by 1.04% to KD 27,564,671 during the financial year 2011-2012 compared to a total asset of KD 27,281,101 in the previous fiscal year 2010-2011.

Overall, the company's leverage is only 8.20% of its total assets. The company maintains a strong financial position, with its current assets ratio indicating that it is able to cover 15 times its current liabilities.

Audited Financial Results

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rasameel Structured Finance Company K.S.C. (Closed) ("the parent company") and its subsidiaries (collectively "the group"), which comprise the consolidated statement of financial position as at 31 March 2012 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on Other Legal and Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the articles of association have occurred during the year ended 31 March 2012 that might have had a material effect on the business of the parent company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violation of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the year ended 31 March 2012.

WALEED A. AL-OSAIMI

LICENCE NO. 68 A

OF ERNST & YOUNG

10 May 2012

Kuwait

	Notes	2012 KD	2011 KD
INCOME :			
Arrangement and advisory fees		**210,655**	345,108
Finance income	3	**822,630**	603,355
Rental income		**367,368**	300,341
Investment loss	4	**(277,938)**	(119,311)
Share of results of an associate	11	**(6,417)**	(15,542)
Unrealised gain on revaluation of investment properties	12	**1,706,495**	360,724
Foreign exchange (loss) gain		**(41,117)**	19,664
Other income		**-**	39,111
Total income		**2,781,676**	1,533,450
EXPENSES :			
General and administrative expenses		**1,563,880**	1,338,721
Portfolio management and collection charges		**226,987**	-
Professional and legal fees		**273,911**	220,187
Finance costs		**60,532**	151,110
Impairment loss on available for sale investments	9	**227,823**	308,755
(Reversal of) provision for impairment losses on Islamic financing receivables, net	6	**(157,914)**	79,099
Total expenses		**2,195,219**	2,097,872
PROFIT (LOSS) FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND ZAKAT		**586,457**	(564,422)
Contribution to KFAS		**(5,278)**	-
Zakat		**(6,758)**	-
PROFIT (LOSS) FOR THE YEAR		**574,421**	(564,422)

The attached nots 1 to 21 from part of these consolidated financial statements.

	Notes	**2012** **KD**	2011 KD
Profit (loss) for the year		**574,421**	(564,422)
Other comprehensive income (loss):			
Available for sale investment:			
Realised loss on available for sale investments	4	**-**	179,721
Net unrealised fair value loss		**(354,429)**	(451,133)
Impairment losses transferred to consolidated statement of income	9	**227,823**	308,755
Foreign currency translation adjustment		**(7,886)**	(89,610)
Other comprehensive loss for the year		**(134,492)**	(52,267)
TOTAL COMPERHENSIVE INCOME (LOSS) FOR THE YEAR		**439,929**	(616,689)

The attached nots 1 to 21 from part of these consolidated financial statements.

	Notes	***2012*** ***KD***	*2011* *KD*
ASSETS			
Cash and cash equivalents	5	**4,226,283**	5,691,850
Islamic financing receivables	6	**3,594,045**	4,758,085
Investments at fair value through statement of income	7	**743,680**	1,401,452
Other assets	8	**666,878**	1,198,740
Available for sale investments	9	**4,442,663**	2,802,626
Held to maturity investments	10	**843,028**	866,143
Investment in an associate	11	**1,523,953**	640,541
Investment properties	12	**11,487,071**	9,861,502
Furniture and equipment		**37,070**	60,162
TOTAL ASSETS		**27,564,671**	27,281,101
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**30,000,000**	30,000,000
Statutory reserve	14	**403,129**	344,483
Share options reserve		**7,510**	7,510
Cumulative changes in fair values		**(89,263)**	37,343
Foreign currency translation reserve		**47,541**	55,427
Accumulated losses		**(5,949,540)**	(6,465,315)
Total equity		**24,419,377**	23,979,448
Liabilities			
Islamic finance payable	15	**2,259,329**	2,530,355
Other liabilities	16	**885,965**	771,298
Total liabilities		**3,145,294**	3,301,653
TOTAL EQUITY AND LIABILITIES		**27,564,671**	27,281,101

Issam Zaid Al-Tawari
Chairman & Managing Director

The attached nots 1 to 21 from part of these consolidated financial statements.

	Notes	***2012 KD***	*2011 KD*
OPERATING ACTIVITIES			
Profit (loss) for the year		**574,421**	(564,422)
Adjustments for:			
Realised loss on sale of available for sale investments	4	**-**	179,721
Income from held to maturity investments	4	**(30,180)**	(29,244)
Income from investment deposits and saving accounts	4	**(26,225)**	(125,723)
Dividend income	4	**(46,318)**	(56,614)
Share of results of an associate	11	**6,417**	15,542
Unrealised gain on revaluation of investment properties	12	**(1,706,495)**	(360,724)
Depreciation		**29,858**	38,439
Finance costs		**60,532**	151,110
Impairment loss on available for sale investments	9	**227,823**	308,755
(Reversal of) provision for impairment losses on Islamic financing receivables, net	6	**(157,914)**	79,099
Provision for (reversal of) employees' end of service benefits		**173,697**	(27,635)
Foreign exchange (loss) gain		**41,117**	(19,664)
		(853,267)	(411,360)
Working capital changes:			
Islamic financing receivables		**1,321,954**	886,140
Investments at fair value through statement of income		**657,772**	(759,866)
Other assets		**523,976**	(765,233)
Other liabilities		**(20,938)**	(255,079)
Cash from (used in) operations		**1,629,497**	(1,305,398)
Employees' end of service benefits paid		**(38,092)**	(49,732)
Net cash from (used in) operating activities		**1,591,405**	(1,355,130)
INVESTING ACTIVITIES			
Purchase of available for sale investments		**(2,000,000)**	-
Proceeds from redemption / sale of available for sale investments		**5,534**	173,566
Addition to investment in an associate	11	**(889,829)**	-
Additions and purchase of investment properties	12	**(57,150)**	(1,610,419)
Proceeds from held to maturity investments		**53,295**	321,484
Purchase of furniture and equipment		**(6,766)**	(53,094)
Income from saving accounts		**26,225**	166,637
Dividend received		**46,318**	56,614
Net cash used in investing activities		**(2,822,373)**	(945,212)
FINANCING ACTIVITIES			
Net movement in Islamic finance payable		**(174,067)**	(3,265,234)
Finance costs paid		**(60,532)**	(151,110)
Net cash used in financing activities		**(234,599)**	(3,416,344)
DECREASE IN CASH AND CASH EQUIVALENTS		**(1,465,567)**	(5,716,686)
Cash and cash equivalents at 1 April		**5,691,850**	11,408,536
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	**4,226,283**	5,691,850

The attached nots 1 to 21 from part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2012

	Share capital KD	*Statutory reserve KD*	*Share options reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation reserve KD*	*Accumulated losses KD*	*Total KD*
Balance at 1 April 2011	30,000,000	344,483	7,510	37,343	55,427	(6,465,315)	23,979,448
Profit for the year	-	-	-	-	-	574,421	574,421
Other comprehensive loss for the year	-	-	-	(126,606)	(7,886)	-	(134,492)
Total comprehensive (loss) income for the year	-	-	-	(126,606)	(7,886)	574,421	439,929
Transfer to statutory reserve	-	58,646	-	-	-	(58,646)	-
Balance at 31 March 2012	**30,000,000**	**403,129**	**7,510**	**(89,263)**	**47,541**	**(5,949,540)**	**24,419,377**
Balance at 1 April 2010	30,000,000	344,483	7,510	-	145,037	(5,900,893)	24,596,137
Loss for the year	-	-	-	-	-	(564,422)	(564,422)
Other comprehensive income (loss) for the year	-	-	-	37,343	(89,610)	-	(52,267)
Total comprehensive income (loss) for the year	-	-	-	37,343	(89,610)	(564,422)	(616,689)
Balance at 31 March 2011	30,000,000	344,483	7,510	37,343	55,427	(6,465,315)	23,979,448

The attached nots 1 to 21 from part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

The consolidated financial statements of Rasameel Structured Finance Company K.S.C. (Closed) ("the parent company") and Subsidiaries (collectively "the group") for the year ended 31 March 2012 were authorised for issuance in accordance with a resolution of the parent company's board of directors on 10 May 2012 and were approved by the relevant regulatory authority before issuance. 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 on 4 January 2006 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. 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 parent company is regulated by the Central Bank of Kuwait and Capital Market Authority (Kuwait). All activities 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, Ahmed Tower, Gulf Road, Dasman, Sharq, and P.O. Box 4915, Safat 13050, State of Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) except for the IAS 39 requirement for collective impairment, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision as discussed under the accounting policy for impairment of financial assets.

Basis of preparation

The consolidated financial statements are prepared under the historical cost basis, modified for the measurement at fair value of 'financial assets available for sale', 'investment properties' and 'financial assets at fair value through profit or loss'.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is also the functional currency of the Parent Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries for the year ended 31 March 2012.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interest represents the portion of profit and loss and net assets not held by the group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position separately from equity attributable to the equity holders of the Parent Company.

Total comprehensive income within a subsidiary is attributed to the non controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; or
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Basis of consolidation (continued)

Details of the primary material subsidiaries included in the consolidated financial statements are set out below:

Name of the company	*Country of incorporation*	*Effective interest in equity %*		*Principal activities*
		2012	*2011*	
Rasameel Central Markets Company K.S.C.C.	Kuwait	**100**	100	General trading
Rasameel General Trading & Contracting Company W.L.L.	Kuwait	**100**	100	General trading and contracting
Rasameel Consultancies and Studies Company K.S.C.C.	Kuwait	**100**	100	Consultancy services
Rasameel Global Holding Company K.S.C.C.	Kuwait	**100**	100	General trading
Haikala for Economical Studies Company W.L.L.	Kuwait	**100**	100	Consultancy services
Rasameel Structured Finance Company – Bahrain B.S.C. (Closed)	Bahrain	**100**	100	Investment business
Haikala Holding Company W.L.L.	Bahrain	**100**	100	General trading
Rasameel Structuring and General Trading Company W.L.L.	UAE	**100**	100	General trading
Rasameel Investment Bank Limited	UAE	**100**	100	Consultancy services and investment business
Al Anfal Al Arabiya General Trading & Contracting Company W.L.L.	Kuwait	**100**	100	General trading and contracting
Yathreb Al Khalijiya Group for Buildings General Contracting Company W.L.L.	Kuwait	**100**	100	General contracting

Certain subsidiaries financial year ended on 31 December 2011. Adjustments have been made for the effect of any significant event or transaction occurring in the months following the year end of these subsidiaries and 31 March 2012.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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 derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognised 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 will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be 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 profit or loss.

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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except that the group has adopted the following amended International Accounting Standards Board (IASB) Standards and new International Financial Reporting Interpretations Committee ("IFRIC") Interpretations, during the year:

IFRS 7: Financial Instruments: Disclosures (Amendment) (effective 1 January 2011)

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1: Presentation of Financial Statements (Amendment) (effective 1 January 2011)

The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The group provides this analysis in the statement of changes in equity.

IAS 24: Related party (Amendment) (effective 1 January 2011)

The amendment clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IAS 32: Financial Instruments: Presentation (Amendment) (effective 1 February 2010)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro- rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRIC 14: Prepayments of a Minimum Funding Requirement (Amendment) (effective 1 January 2011)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset.

IFRIC Interpretation 19: Extinguishing financial liabilities with equity instrument (effective 1 July 2010)

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in consolidated income statement.

The adoption of the above mentioned amendments did not have any material impact on the financial position or performance of the group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB Standards have been issued but not yet mandatory, and have not been adopted by the group:

IAS 1: Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment) (effective 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to consolidated income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the group's financial position or performance.

IAS 27: Separate Financial Statements (Amendment) (effective 1 January 2013)

As a consequence of the new IFRS 10: Consolidated Financial Statements and IFRS 12: Disclosure of Involvement with Other Entities, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The group does not present separate financial statements.

IAS 28: Investments in Associates and Joint Ventures (Amendment) (effective 1 January 2013)

As a consequence of the new IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Involvement with Other Entities, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 3: Business Combinations (Amendment) (effective 1 July 2011)

The measurement options available for non controlling interest have been amended. Only components of non controlling interest that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 7: Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (Amendment) (effective 1 July 2011)

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

IFRS 9: Financial Instruments: Classification and Measurement (effective 1 January 2015)

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39: Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10: Consolidated Financial Statements (effective 1 January 2013)

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 13: Fair Value Measurement (effective 1 January 2013)

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

Additional disclosures will be made in the consolidated financial statements when these Standards become effective.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

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. Revenue is recognised only to the extent of the expenses incurred that are recoverable. Revenue is measured at the fair value of the consideration received excluding discounts. The following specific recognition criteria must also be met before revenue is recognised:

- Management, arrangement and advisory fees are recognised when earned;
- Islamic financing income which comprises consumer financing, tawarruq, and ijara is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding;
- Dividend income is recognised when the right to receive the payment is established;
- Profit from saving accounts and held to maturity investments are recognised as the profit accrues;
- Income 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; and
- Rental income on investment properties is earned on occupancy basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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.

KFAS and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat represent levies/taxes imposed on the parent entity at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax/levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

Zakat at 1% of the profit for the year is provided for in accordance with the requirements of Law No. 46 of 2006 and charged to the consolidated statement of income.

Financial assets and financial liabilities

Initial recognition, measurement and derecognition

The group's financial assets include "cash and cash equivalents, Islamic financing receivables, financial assets carried at fair value through statement of income, available for sale investment, held to maturity investment and other assets" and financial liabilities include "Islamic finance payable and other liabilities". The group determines the classification of financial assets and liabilities at initial recognition. All financial assets and financial liabilities are recognised initially at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Subsequent measurement

The subsequent measurement of financial assets and liabilities depends on their classification.

Derecognition

A financial asset (in whole or in part) is derecognised either when:

i. the rights to receive the cash flows from the asset have expired; or

ii. the group has retained its right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

iii. the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Derecognition (continued)

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents are defined as cash and balances with banks and other financial institutions, and investment deposits. Investment deposits are placed with Islamic financial institutions and are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Investment deposits are stated at the balance invested.

Islamic financing receivables

Consumer financing receivables

Consumer financing receivables comprise amounts invested with financial institutions for onward deals by these institutions in various Islamic investment products.

Consumer financing receivables are stated at the gross amount of the receivable, net of deferred profit receivable and provision for impairment. Profit receivable is recognised on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Tawarruq receivables

Tawarruq receivables represent amounts receivable on a deferred settlement basis for commodities sold under Mudaraba arrangements. Tawarruq receivables are stated at the gross amount of the receivable, net of deferred profit receivable and provision for impairment.

Ijara receivables

Ijara is a financing structure whereby the purchase and immediate lease of an asset at cost plus an agreed profit. Ijara receivables are stated at the gross amount of the receivable, net of deferred profit receivable and provision for impairment.

Investments at fair value through statement of income

Financial assets at fair value through statement of income includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through statement of income. 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 the consolidated statement of income. Financial assets are designated at fair value through statement of income if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

After initial recognition financial assets at fair value through statement of income are remeasured at fair value with all changes in fair value recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Available for sale investments

Financial assets available for sale are those non-derivative financial assets that are that are designated as available-for-sale or are not classified as investments at fair value through profit or loss, investments held-to-maturity or loans and receivables.

After initial recognition, financial assets available for sale are measured at fair value with gains and losses being recognised as other comprehensive income until the investment is derecognised or until the investment is derecognised at which time the cumulative gain and loss previously reported in other comprehensive income is recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Held to maturity investments

Held to maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the group has the positive intention and ability to hold to maturity. After initial recognition held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortization using the effective profits method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment.

This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortization process.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset, or group of financial assets, may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;

b. For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective rate.

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

The provision for impairment of receivables also covers losses where there is objective evidence that probable losses are present in components of the receivables at the reporting date. These have been estimated based on historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for equity instruments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of equity instruments classified as available for sale are recognised in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

An associate is an entity over which the group exerts significant influence. Investment in associates is accounted for under the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale under IFRS 5.

Under the equity method, the investment in an associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of the associate's equity. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence effectively commenced until the date that it effectively ceases.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity. The group's share of those changes is recognised directly in equity; fair value reserve or foreign currency translation reserve as appropriate.

Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investment in associate is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments were made for the effects of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

Investment properties

Investment properties comprise of developed properties and properties under development held to earn rentals or for capital appreciation or both. Investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of furniture and equipment as follows:

• Leasehold improvements	4 years
• Furniture and fixtures	4 years
• Equipment	3 years
• Computer software	3 years

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment (continued)

The carrying values of furniture 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.

Impairment of non financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount of such non-financial asset is the carrying value less the impairment loss previously recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Islamic finance payable

Ijara payables

Ijara is an Islamic transaction involving purchase and immediate lease of an asset where the lessor conveys to the lessee the right to use the asset for an agreed period of time in return for a payment or series of payments. At the end of the lease term the lessee has the option to purchase the asset.

Ijara payable represents the lease obligation payable for assets purchased under ijara contracts.

Tawarruq payables

Tawarruq payables represent Islamic financing arrangements and are stated at amortised cost.

Wakala payables

Wakala payables represent financing received under a wakala arrangement. Wakala payables are stated at amortised cost being the gross amount of the payable, net of deferred profit payable. Wakala cost is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Other liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Employees of the group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes Option Pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the parent company's shares.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

Employees' end of service benefits

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

With respect to national employees, the group makes contributions to governmental scheme calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the 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 as 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 was determined.

Group companies

As at the reporting date, the carrying amount of foreign associate is translated into the group's presentation currency at the rate of exchange ruling at the reporting date, and the statement of income is translated at the weighted average exchange rates for the year. Exchange difference arising on translation is taken directly to foreign exchange translation adjustments within equity. On disposal of a foreign associate, the cumulative amount recognised in equity relating to the particular foreign associate is the recognised in consolidated statement of income.

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets or liabilities of the group and accordingly are not included in these consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, or an earnings multiple, or an industry specific earnings multiple, or a value based on a similar publicly traded company, or is based on the expected cash flows of the investment, or the underlying net asset base of the investment. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Investment properties

For investment properties, fair value is determined by the manager of the real estate property, based on valuations by real estate registered valuation experts or by reference to recent transactions in similar properties.

Other financial assets and financial liabilities

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

Significant accounting judgments estimates and assumptions

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The group has used judgments and estimates principally in, but not limited to, the classification of investments and real estate, the determination of impairment provisions, the valuation of unquoted investments and investment properties.

Impairment losses on finance facilities

The management decides whether a provision for impairment should be recorded in the consolidated statement of income. Based on its assessment for recoverability, considerable judgment is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Impairment provision for other receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments estimates and assumptions (continued)

Classification of investments

The group decides on acquisition of investments whether they should be classified as investments carried at fair value through statement of income, held to maturity investments or available for sale investments.

The management classifies investments as carried at fair value through statement of income if they are acquired primarily for the purpose of short term profit making and the fair value of those investments can be reliably determined.

Classification of investments as fair value through statement of income depends on how management monitor the performance of these investments when they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through statement of income.

The management classifies investments as held to maturity if they are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and management has the positive intention and ability to hold to maturity.

All other investments are classified as available for sale.

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;
- an 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.

Impairment losses on investments

The group treats available for sale equity investments 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 "prolonged" requires considerable judgment.

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.

Classification of real estate

Management decides on acquisition of real estate whether it should be classified as trading, property held for development or investment property.

The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

The management classifies real estate as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments estimates and assumptions (continued)

Valuation of investment properties

For investment properties, fair value is determined by the manager of the real estate property, based on valuations by real estate registered valuation experts or by reference to recent transactions in similar properties, as advised by a related party that markets those properties.

3 FINANCE INCOME

	2012 KD	2011 KD
Consumer financing	**758,701**	342,995
Tawarruq	**39,933**	180,367
Ijara	**23,996**	79,993
	822,630	603,355

4 INVESTMENT LOSS

	2012 KD	2011 KD
Unrealised loss on investments at fair value through statement of income	**(316,070)**	(77,257)
Realised loss on sale of investments at fair value through statement of income	**(64,591)**	(73,914)
Realised loss on sale of available for sale investments	**-**	(179,721)
Income from held to maturity investments	**30,180**	29,244
Income from investment deposits and saving accounts	**26,225**	125,723
Dividend income	**46,318**	56,614
	(277,938)	(119,311)

5 CASH AND CASH EQUIVALENTS

	2012 KD	2011 KD
Cash and bank balances	**2,026,283**	2,531,874
Investment deposits	**2,200,000**	3,159,976
	4,226,283	5,691,850

Investment deposits represent amounts placed in investment accounts with local and foreign Islamic banks. Such deposits mature within 3 months from the date of the placements and are classified as cash and cash equivalents in the consolidated statement of financial position. Investment deposits carry an average rate of profit of approximately 1.53% (2011: 1.83%) per annum.

6 ISLAMIC FINANCING RECEIVABLES

	Consumer financing KD	*Tawarruq KD*	*Ijara KD*	*Total KD*
At 31 March 2012				
Gross amount	**4,451,389**	**2,008,437**	**-**	**6,459,826**
Less: deferred income	**(230,235)**	**-**	**-**	**(230,235)**
	4,221,154	**2,008,437**	**-**	**6,229,591**
Less: impairment losses:				
Specific provision	**(594,884)**	**(2,008,437)**	**-**	**(2,603,321)**
General provision	**(32,225)**	**-**	**-**	**(32,225)**
	3,594,045	**-**	**-**	**3,594,045**

	Consumer financing KD	*Tawarruq KD*	*Ijara KD*	*Total KD*
At 31 March 2011				
Gross amount	3,208,093	3,131,214	1,076,897	7,416,204
Less: deferred income	(218,632)	(49,327)	(48,997)	(316,956)
	2,989,461	3,081,887	1,027,900	7,099,248
Less: impairment losses:				
Specific provision	(281,816)	(2,008,437)	-	(2,290,253)
General provision	(29,896)	(10,735)	(10,279)	(50,910)
	2,677,749	1,062,715	1,017,621	4,758,085

During the year ended 31 March 2012, the parent company purchased a consumer financing portfolio from a major shareholder which included provisions amounting to KD 452,297 in respect of non-performing customer receivables and general provision (Note 17).

Islamic financing receivables are stated net of general and specific provisions for impairment losses as follows:

	General		*Specific*		*Total*	
	2012 KD	*2011 KD*	***2012 KD***	*2011 KD*	***2012 KD***	*2011 KD*
At the beginning of the year	**50,910**	67,407	**2,290,253**	2,194,657	**2,341,163**	2,262,064
Adjustment for the new portfolio acquired during the year	**72,952**	-	**379,345**	-	**452,297**	-
Provided during the year	**1,395**	21,014	**349,998**	281,816	**351,393**	302,830
Provision no longer required	**(93,032)**	(37,511)	**(416,275)**	(186,220)	**(509,307)**	(223,731)
At the end of the year	**32,225**	50,910	**2,603,321**	2,290,253	**2,635,546**	2,341,163

The average profit rate attributable to consumer financing receivables is 10.5% (2011: 8.5%) per annum.

The average profit rate attributable to tawarruq receivables is 12.2% (2011:12.2%) per annum.

The fair values of consumer financing and tawaruq do not materially differ from their carrying values as they are stated net of any required provision, and will mature substantially within twelve months from the reporting date.

7 INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2012 KD	*2011 KD*
Quoted equity securities	**743,680**	1,401,452

8 OTHER ASSETS

	2012 KD	*2011 KD*
Accrued income	**191,316**	332,624
Staff receivable	**75,944**	125,367
Advance, deposit and prepayments	**83,119**	304,635
Amount due from a related party (Note 17)	**230,201**	380,641
Others	**86,298**	55,473
	666,878	1,198,740

9 AVAILABLE FOR SALE INVESTMENTS

	2012 KD	*2011 KD*
Unquoted managed fund (Note 21)	**454,847**	328,253
Unquoted equity securities	**3,987,816**	2,474,373
	4,442,663	2,802,626

As at 31 March 2012, unquoted equity security amounting to KD 3,987,816 (2011: KD 2,474,373) 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 parent company intends to hold them for the long term. The parent company's management has performed a review to assess whether impairment has occurred in the value of these investments, and based on the latest available financial information of these investments, an impairment charge of KD 227,823 (2011: KD 308,755) has been recorded in the consolidated statement of income.

10 HELD TO MATURITY INVESTMENTS

Held to maturity investments represent investments in Sukuks purchased in 2006 and are maturing in 2012. The profit rate attributable to these Sukuks is 2.5% (2011: 2.5%) per annum above LIBOR rate, receivable semi annually.

11 INVESTMENT IN AN ASSOCIATE

Details of the associate are set out below:

Name of company	*Country of incorporation*	*Effective interest in equity %* ***2012***	*Effective interest in equity %* *2011*	*Principal activities*
The Muharraq Mall Company L.L.C.	Bahrain	**45**	45	Commercial complex services

The company is an unlisted entity.

11 INVESTMENT IN AN ASSOCIATE (continued)

	2012 KD	2011 KD
At the beginning of the year	**640,541**	656,083
Additions	**889,829**	-
Share of results	**(6,417)**	(15,542)
At the end of the year	**1,523,953**	640,541

The following table illustrates summarised financial information of the group's investment in an associate:

	2012 KD	2011 KD
Share of the associate's statement of financial position		
Assets	**1,346,344**	1,104,007
Liabilities	**35,448**	676,523
Net assets	**1,310,896**	427,484
Goodwill included in the carrying amount	**213,057**	213,057
	1,523,953	640,541
Share of the associate's statement of income		
Profit for the year	**6,417**	15,542

During the year, the parent company contributed additional equity funding to the associate company along with the other shareholders' of the associate company equivalent to their respective shareholdings.

12 INVESTMENT PROPERTIES

	2012 KD	2011 KD
At the beginning of the year	**9,861,502**	3,829,541
Additions	**57,150**	171,237
Investment properties received in settlement of financing receivables	**-**	5,500,000
Reduction of property and its related liability as a result of a settlement agreement	**(138,076)**	-
Unrealised gain on revaluation	**1,706,495**	360,724
At the end of the year	**11,487,071**	9,861,502

Investment properties are categorised into:

	2012 KD	2011 KD
Properties under development (Note 15)	**2,725,083**	2,707,249
Developed properties	**8,761,988**	7,154,253
	11,487,071	9,861,502

At 31 March 2012, the group's investment properties were revalued by an independent professionally qualified real estate valuer. The fair value of the properties has been determined based on comparable market values.

12 INVESTMENT PROPERTIES (continued)

During the year, the parent company entered into a settlement agreement with one of its' financier to reduce the cost of financing by KD 138,076, which was previously capitalised, due to unexpected and uncontrollable delays in the development of a property.

13 SHARE CAPITAL

At 31 March 2012 and 31 March 2011, the authorised, issued and fully paid in cash share capital comprise 300,000,000 shares of 100 fils each.

14 STATUTORY RESERVE

As required by the Law of Commercial Companies and the parent company's articles of association, 10% of the profit for the year before contribution to KFAS, Zakat and directors remuneration has been 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 is made to statutory reserve in the year where the group incurs loss for the year.

15 ISLAMIC FINANCE PAYABLE

	Ijara *KD*	*Wakala* *KD*	*Total* *KD*
At 31 March 2012			
Gross amount	**2,196,818**	**62,511**	**2,259,329**

	Ijara *KD*	*Wakala* *KD*	*Total* *KD*
At 31 March 2011			
Gross amount	2,342,823	187,532	2,530,355

Ijara payables relate to the financing of a property under development in the United Arab Emirates (Note 12).

Wakala payables represent agency contract that will mature in 2012. Wakala payables carry an average rate of profit of approximately 6.25% (2011: 6.25%) per annum.

16 OTHER LIABILITIES

	2012 ***KD***	*2011* *KD*
Payable for purchase of investment properties	**178,083**	177,740
Employees' end of service benefits	**471,204**	335,599
Other liabilities and accruals	**236,678**	257,959
	885,965	771,298

17 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, 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.

17 RELATED PARTY TRANSACTIONS (continued)

Transactions and balances with related parties included in the consolidated financial statements are as follows:

	Major shareholders KD	*Other related parties KD*	***2012 KD***	*2011 KD*
Consolidated statement of income				
Advisory fees	-	135,500	**135,500**	394,038
Consolidated statement of financial position				
Amount due from a related party (Note 8)	230,201	-	**230,201**	380,641
Advance, deposit and prepayments	-	-	**-**	187,372
Islamic financing receivables	-	2,008,437	**2,008,437**	4,997,898
Islamic financing receivables – specific provision	-	2,008,437	**2,008,437**	2,290,253
Islamic financing receivables – general provision	-	-	**-**	29,896
Key management compensation				
Salaries and short-term benefits			**357,420**	367,048
Employees' end of service benefits			**35,853**	42,883
			393,273	409,931

During the year ended 31 March 2012, the parent company purchased a consumer financing portfolio from a major shareholder (Note 6).

18 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:

2012	***On demand KD***	***Within 3 months KD***	***3 to 12 months KD***	***Over 1 year KD***	***Total KD***
Assets					
Bank balances	2,026,283	2,200,000	-	-	**4,226,283**
Islamic financing receivable	-	1,479,859	1,836,116	278,070	**3,594,045**
Financial assets at fair value through profit or loss	-	-	743,680	-	**743,680**
Other assets	119,417	421,517	-	125,944	**666,878**
Financial assets available for sale	-	-	-	4,442,663	**4,442,663**
Held to maturity investments	-	843,028	-	-	**843,028**
Investment in an associate	-	-	-	1,523,953	**1,523,953**
Investment properties	-	-	-	11,487,071	**11,487,071**
Furniture and equipment	-	-	-	37,070	**37,070**
Total assets	**2,145,700**	**4,944,404**	**2,579,796**	**17,894,771**	**27,564,671**

18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	On demand KD	*Within 3 months KD*	*3 to 12 months KD*	*Over 1 Year KD*	*Total KD*
Liabilities					
Employee's end of service benefits	-	-	-	471,204	**471,204**
Islamic finance payable (Note 15)	-	99,957	112,337	2,047,035	**2,259,329**
Other liabilities	-	117,049	297,712	-	**414,761**
TOTAL Liabilities	**-**	**217,006**	**410,049**	**2,518,239**	**3,145,294**

2011	*On demand KD*	*Within 3 months KD*	*3 to 12 months KD*	*Over 1 Year KD*	*Total KD*
Assets					
Bank balances	2,531,874	3,159,976	-	-	5,691,850
Islamic financing receivables	-	687,826	3,205,383	864,876	4,758,085
Financial assets at fair value through profit or loss	-	-	1,401,452	-	1,401,452
Other assets	310,108	332,624	-	556,008	1,198,740
Financial assets available for sale	-	-	-	2,802,626	2,802,626
Held to maturity investments	-	-	-	866,143	866,143
Investment in an associate	-	-	-	640,541	640,541
Investment properties	-	-	-	9,861,502	9,861,502
Furniture and equipment	-	-	-	60,162	60,162
Total assets	2,841,982	4,180,426	4,606,835	15,651,858	27,281,101
Liabilities					
Employee's end of service benefits	-	14,560	-	321,039	335,599
Islamic finance payable (Note 15)	-	-	187,532	2,342,823	2,530,355
Other liabilities	-	327,280	108,419	-	435,699
TOTAL Liabilities	-	341,840	295,951	2,663,862	3,301,653

19 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 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.

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.

19 RISK MANAGEMENT (continued)

Market risk (continued)

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 in terms of industry concentration.

The effect on other comprehensive income (as a result of a change in the fair value of available for sale investments) 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 statement of income) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	31 March 2012			31 March 2011		
Market indices	***Change in equity price***	***Effect on other ompre-hensive income***	***Effect on loss***	*Change in equity price*	*Effect on other om-prehensive income*	*Effect on loss*
	%	***KD***	***KD***	*%*	*KD*	*KD*
Kuwait	**+5**	**133,950**	**37,184**	+5	33,950	70,073
Others	**+5**	**88,183**	**-**	+5	106,181	-

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:

	2012	*2011*
	KD	*KD*
US Dollar	**2,303,513**	3,767,478
UAE Dirham	**2,725,083**	404,632
Saudi Riyal	**7,867,743**	6,403,728
Bahraini Dinar	**3,491,887**	4,029,822

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:

	31 March 2012			31 March 2011		
Currency	***Change in currency rate***	***Effect on results***	***Effect on other compre-hensive income***	*Change in currency rate*	*Effect on results*	*Effect on other compre-hensive income*
	%	***KD***	***KD***	*%*	*KD*	*KD*
US Dollar	**+5**	**56,697**	**62,828**	+5	68,590	76,476
UAE Dirham	**+5**	**136,254**	**-**	+5	20,232	-
Saudi Riyal	**+5**	**393,387**	**-**	+5	320,186	-
Bahraini Dinar	**+5**	**68,692**	**105,903**	+5	139,759	61,732

19 RISK MANAGEMENT (continued)

Market risk (continued)

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

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 6. 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 clients 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:

	Gross maximum exposure	
	2012	*2011*
	KD	*KD*
Cash and cash equivalents	**4,226,283**	5,689,850
Islamic financing receivables, net of provisions	**3,594,045**	4,758,085
Held to maturity investments	**843,028**	866,143
Other assets	**583,759**	894,105
	9,247,115	12,208,183

An industry sector analysis of the group's assets, before and after taking into account collateral held or other credit enhancements, is disclosed in *"Risk concentration of the maximum exposure to credit risk"* below:

Credit quality for class of financial assets

Neither internal credit grading system nor external credit grades are used by the group to manage the credit quality of Islamic financing receivables.

The group manages the credit quality by ensuring that adequate collaterals are available for all the individual facilities granted, which the management reviews on a regular basis.

19 RISK MANAGEMENT (continued)

Credit risk (continued)

Credit quality for class of financial assets (continued)

The group seeks to avoid undue concentrations of risks with individuals or groups of customers in business through diversification of financing and investing activities. The table below summarises the credit quality of Islamic financing receivables:

	Neither past due nor impaired KD	Past due or impaired KD	Gross total KD
At 31 March 2012			
Cash and cash equivalents	**4,226,283**	**-**	**4,226,283**
Islamic financing receivables			
Consumer financing	**3,443,012**	**1,008,377**	**4,451,389**
Tawarruq	**-**	**2,008,437**	**2,008,437**
Held to maturity investments	**843,028**	**-**	**843,028**
Other assets	**583,759**	**-**	**583,759**
	9,096,082	**3,016,814**	**12,112,896**

	Neither past due nor impaired KD	*Past due or impaired KD*	*Gross total KD*
At 31 March 2011			
Cash and cash equivalents	5,689,850	-	5,689,850
Islamic financing receivables			
Consumer financing	3,208,093	-	3,208,093
Tawarruq	1,122,777	2,008,437	3,131,214
Ijara	1,076,897	-	1,076,897
Held to maturity investments	866,143	-	866,143
Other assets	894,105	-	894,105
	12,857,865	2,008,437	14,866,302

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 6 for more detailed information with respect to the impairment losses on Islamic financing receivables.

Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry or geographic location.

19 RISK MANAGEMENT (continued)

Credit risk (continued)

The group's assets can be analysed by the industry sector as follows:

	2012	2011
	KD	KD
Banks and financial institutions	**4,226,283**	5,689,850
Islamic financing	**3,594,045**	4,758,085
Financial investments	**843,028**	866,143
Others	**583,759**	894,105
	9,247,115	12,208,183

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, 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 which include future finance costs payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 March was as follows:

	1 to 3 months	*3 to 12 months*	*Over one year*	*Total*
	KD	*KD*	*KD*	*KD*
At 31 March 2012				
Islamic finance payable	**123,882**	**182,700**	**4,460,231**	**4,766,813**
Other liabilities	**117,049**	**297,712**	**471,204**	**885,965**
	240,931	**480,412**	**4,931,435**	**5,652,778**
At 31 March 2011				
Islamic finance payable	64,919	205,007	4,766,813	5,036,739
Other liabilities	341,840	108,419	321,039	771,298
	406,759	313,426	5,087,852	5,808,037

20 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 shareholder 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 group 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 2012 and 31 March 2011.

The group monitors capital using a gearing ratio, which is net debt divided by total capital 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 payable less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent company less cumulative changes in fair values.

20 CAPITAL MANAGEMENT (continued)

	2012	2011
	KD	KD
Islamic finance payable	**2,259,329**	2,530,355
Less: Cash and cash equivalents	**(4,226,283)**	(5,691,850)
Net debt	**-**	-
Total capital	**24,419,377**	23,979,448
Capital and net debt	**24,419,377**	23,979,448
Gearing ratio	**Nil**	Nil

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, investment deposits, investments at fair value through statement of income, available for sale investments, amounts due from related parties and receivables. Financial liabilities consist of ijarra payables, amounts due to related parties and other liabilities.

The fair values of financial instruments are not materially different from their carrying values except for available for sale investment carried at cost (Note 9).

Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This level also includes items whose fair values have been provided by reputable external fund managers; and
- Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 March:

	Level 1	*Level 2*	*Level 3*	*Total*
At 31 March 2012	*KD*	*KD*	*KD*	*KD*
Investments at fair value through statement of income				
Quoted equity securities (Note 7)	743,680	-	-	743,680
Available for sale investments				
Unquoted securities (Note 9)	-	454,847	-	454,847
	743,680	**454,847**	**-**	**1,198,527**

	Level 1	*Level 2*	*Level 3*	*Total*
At 31 March 2011	*KD*	*KD*	*KD*	*KD*
Investments at fair value through statement of income				
Quoted equity securities (Note 7)	1,401,452	-	-	1,401,452
Available for sale investments				
Unquoted securities (Note9)	-	460,391	-	460,391
	1,401,452	460,391	-	1,861,843

During the year, there have been no transfers between the hierarchies.