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

Annual Report 2012 2013

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

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

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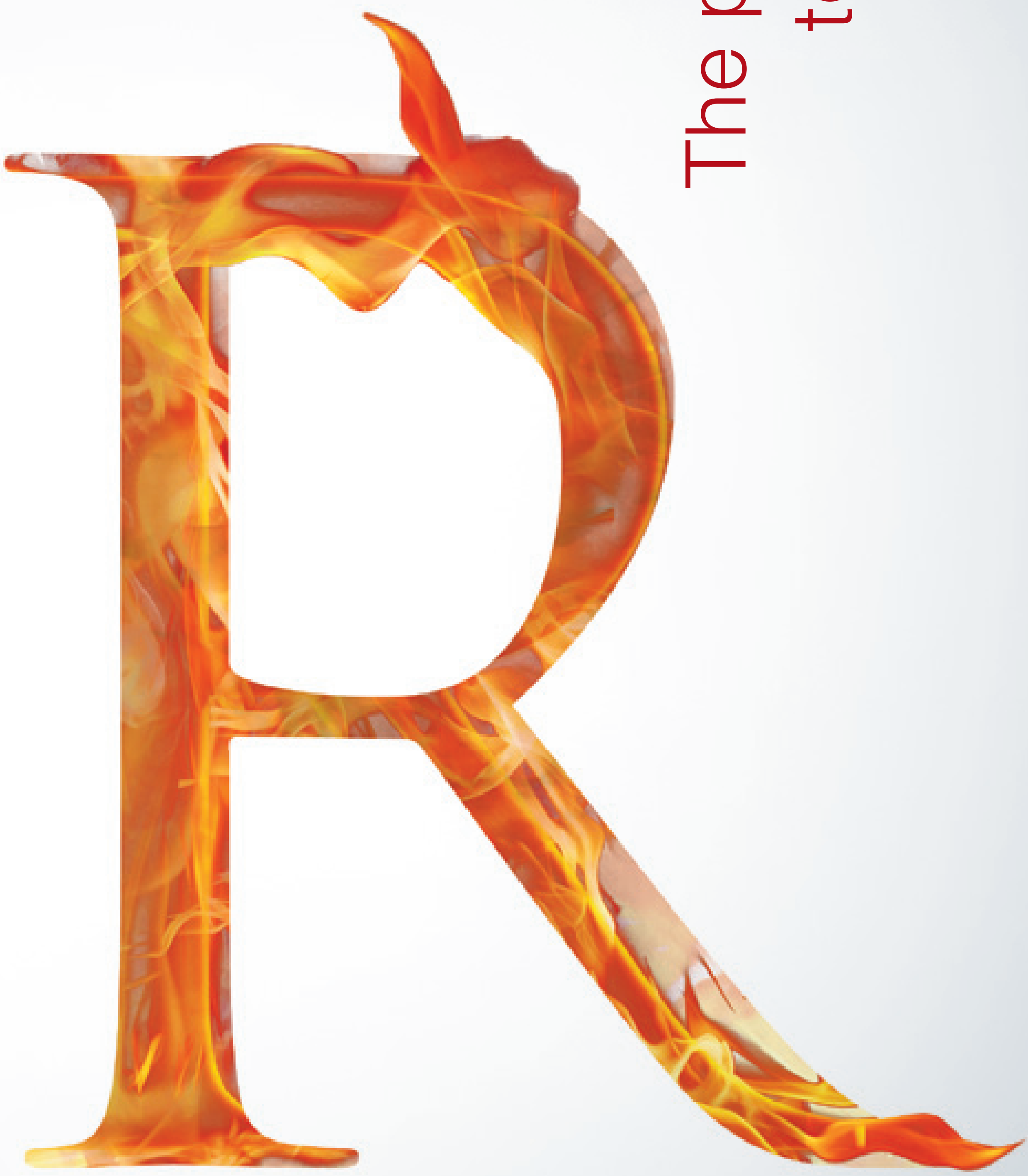

The power
to perform

A depth
of experience

Board of Directors

Mr. Issam Zaid Al-Tawari
Chairman & Managing Director

Mr. Ahmad A. Al-Bahar
Vice Chairman

Mrs. Hanan Y. Al-Yousef
Member

Mr. Loay S. Al Swayan
Member

Mr. Meshari M. Al-Judaimi
Member

Mr. Moustafa I. El-Gohary
Member

Mr. Saad S. Al-Therban
Member

Shariah Supervisory Board

Sh./Dr. AbdulSattar A. AbuGhudah
Chairman

Sh. AbdulSattar A. Al-Kattan
Member

Sh./Dr. Issa Zaki
Member

Sh./Dr. Yousef Al-Sharrah
Member

Rising to the challenges

Chairman's Statement

Dear Shareholders,

On behalf of the Board members of Rasameel Structured Finance and myself, I would like to welcome you to the seventh annual meeting of the ordinary general assembly, and on this occasion I would like to take this opportunity to also sincerely thank those who supported us and the company during the period.

I am delighted to present to you the annual report of Rasameel, the auditors' report and consolidated financial statements for the company and its subsidiaries for the financial year ended 31 March 2013, as well as the report of the members of the Shariah Supervisory Board.

The financial year 2012/2013 was characterized with improvement in the business climate in general, although relatively slow, whereas the improvement has been evident in the capital markets in particular, which began with the fourth quarter of last year and continued remarkably during the first half of this year, after recession following the global financial crisis in 2009. Although Rasameel has overcame the consequences of the global financial crisis during the financial year 2011/2012 due to the implementation of its' new and ambitious strategy; the current situation however requires the concerted efforts of shareholders and management in directing the company's activity and achieving their goals during the coming period.

In light of the above mentioned, the below illustration displays the results of the financial period ended on 31 March, 2013:

Net loss for the year amounted to KD 3,453,589 (Net Loss 11.5 Fils per share) compared to Net Profits amounted to KD 574,421 (Net Profit 1.9 Fils per share) for the financial year 2011/2012.

Despite the overall profits achieved from core business operations, the loss in fact is due to the precautionary provisions taken for certain investments and for contingent liabilities of ongoing litigation. This is according to one of the most important International Accounting Reporting standards represented by the principle of conservatism. However, the company is sparing no effort in seeking to collect most of those amounts to avoid incurring any liabilities that in return will be reflected positively on the results of future financial periods.

Company's total assets have decreased to KD 25,619,381 as compared with total assets of KD 27,564,671 in the financial year 2011/2012, i.e. a decrease of 7% that is due to the necessity of taking additional provisions. With regard to shareholders equity, it has decreased to KD 21,006,817 as compared with total shareholders' equity of KD 24,419,377 in the fiscal year 2011/2012, i.e. a decrease of approximately 14%. Total revenues decreased as well to amount to KD 345,648 as compared with revenues of KD 2,904,132 for the fiscal year 2011/2012. Book value per share amounted to 70 Fils as of 31 March 2013 as compared with 81 Fils on 31 March 2012. Total liabilities was increased to KD 4,612,564 as compared with total liabilities amounted to KD 3,145,294 in the fiscal year 2011/2012, which is an increase of 47%. However the average rate of the company's finance operations remains conservative where it reached only7.3%.

The Board of Directors has proposed to the General Assembly, reducing the accumulated losses through the use of legal reserve and paid up capital, where capital after reduction will amount to KD 21 million. The company objective of absorbing accumulated loss is to enable to distribute dividends to shareholders in the future when the company turns to profitability. Also, the company is currently seeking to exit from some assets, where once such exits are complete; the company then will consider reducing the capital through a cash return to shareholders by 10%.

Achievements:

As crowning of Rasameel's considerable achievements in the fiscal year 2011/2012 of creating opportunities for revenue and growth, the company was able to achieve new substantial breakthroughs during the financial year 2012/2013 represented by signing of several contracts and agreements of joint cooperation as well as the issuance of Sukuk in partnership with important parties. In addition, the company took many fundamental steps in several areas establishing to launch new activities and operations in the future with significant and multiple benefits.

Where investors' confidence is gradually enhanced in the capital market, Rasameel has acted during the financial year 2012/2013 as the structuring Shariah advisor in cooperation with Rasameel Investment Bank which played the role of the transaction arranger for an entire monetization process for Sukuk with Yousef Ahmed Alghanim Co., which was considered as the first deal of its kind in Kuwait. Concluding this deal had a significant impact on investors' confidence for Rasameels's capabilities and its ability to complete the mission successfully.

As per the company's commitment to its five-year plan, "Rasameel Auto Lease" has been launched as a company specialized in Car Rental activities. The purpose of the car rental activity is to establish highly profitable investment portfolios with recurring revenue and lowest possible risk, where these portfolios are monetized into SUKUK so to become an attractive instrument to investors that is easy to trade. The company's organizational structure as well as its policies and work procedures have already been approved. The company purchased and leased about 300 vehicles during the period which qualified it for entering into contracts and tenders with government institutions and large corporates. In addition, exclusive contracts have already been signed with two of the prime

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car agents in Kuwait for luxury car rental, such a step is considered as the first of its kind in Kuwait in an attempt to build a niche for White Labeled Lease programs with Dealers and agents. The purpose is to lease these cars to elite customers of Rasameel Auto Lease with a wide range selection of value added features.

Rasameel has carried out feasibility studies for possible cooperation with major local retail stores as a joint venture into the business of financing the needs of individual customers who wish to finance their purchases of various hardware, furniture and other appliances from stores in transactions that comply with the provisions of Islamic Shariah law. The purpose is to initially create sustainable and scalable consumer finance business and transform this consumer finance receivables portfolios into an investment instrument to be monetized and then sold to investors in the Sukuk market.

In relation to the settlement with The Investment Dar ("TID"), Rasameel reached among other creditors a settlement of the payment category (b) represented in the signing of an agreement of commission settlement by investment with TID in August 2012 to collect its debts amounted to KD 2 million. As per this agreement, TID has paid 50% of the debt in cash, while the remaining 50% has been paid in-kind to creditors through real estate assets that represent two plots of land in Dasman and Al-Jahra areas in joint ownership to the creditors. Rasameel has been appointed by creditors as a member of the Steering Committee to follow up the assets exiting.

Exiting

Rasameel has exited from a real estate portfolio in Bahrain through a settlement made with one of portfolio parties, in which Rasameel acquired four plots of land in Bahrain's featured area of Al-Hidd, in addition to receiving the difference in its share in the exit process in form of cash.

Rasameel has exited as well from its investment Wudooh Economic Consultancy and has received its share in cash.

Rasameel has received an amount of USD $ 19,271 which represents its share in the exit from one of the investments of Unicorn Global Private Equity Fund.

Status of Real Estate Investments

Operating revenues of Rasameel's investment in Hajar Tower rose by 12% in the first quarter of 2013 compared to the first quarter of 2012.

There is a negotiation taking place currently with a prospective tenant to rent out number of units that is wholly owned by Rasameel in the Emirates Financial Tower (EFT) in Dubai International Financial Center.

The agreement between Rasameel and the developer of Remraam residential project in Dubai land has reached its final stage for receiving the 24 residential units that Rasameel purchased in the project in the year 2008. Negotiation is presently taking place to commence marketing and renting of these units.

Bahrain's Muharraq Mall Company; an associate of Rasameel Structured Finance signed a partnership agreement with "Seef Properties" a Bahraini listed company, the market leader in managing commercial malls in Bahrain, whereby the agreement stipulates 50% contribution in the capital increase of Muharraq Seef Mall located near the historical Arad Fort.

Negotiation between Rasameel and a Bahraini bank is at final stage for securing financing required for the final phase of Seef-Muharraq Mall project in Bahrain.

Cooperation Agreements

A Memorandum of Understanding has been signed between Rasameel and Bahrain based MTI Consultancy, whereby Rasameel and MTI can jointly cooperate to provide specialized financial advisory services in Kuwait.

Rasameel has signed an agreement with the Islamic Finance Consultants (IFC) in Bahrain for collaboration between the two companies in the fields of arranging alternative financing means and to provide Islamic financial advisory services to clients in the Gulf region.

Specialized Financial Rasameel's Debt Capital Market Reports

Rasameel has issued its report about the debt capital markets in the Middle East and North Africa, which presents the comparison between the conventional bond market and the Sukuk market. It also defines the basis of monetization's structure and advantages, in addition to major debt market trends as well as the performance of the debt capital sub-markets. Also, the report presents in further details through figures, statistics and analysis of important issues covering the period between 2004-2012 regarding everything related to the debt capital market that is of interest to many investors in the region.

Awards and Conference Sponsorships

Rasameel Structured Finance Company, held in Kuwait on May 2012 the Forum of "Asset Monetization & Debt Capital Markets in the GCC" in the presence of key executives from the financial service industry reputable investment and finance companies, where the forum is aligned with Rasameel's strategic vision to provide a diversified portfolio of Shariah compliant investment products and to offer funding solutions as alternative investment options to GCC investors. The forum highlighted as well new paths for structured finance and investment banking, with emphasis placed on the prospects of Sukuk growth in the GCC market, the legal framework it entails and securitization from the issuer's perspective.

Rasameel Structured Finance Company and Yusuf A. Alghanim and Sons have received each an accolade in the category of 'Best Sukuk Shariah Compliant Deal of the Year in Kuwait. Islamic Finance News magazine ("IFN") is a leading publication in covering Islamic finance industry.

Rising to the challenges

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Future Approach

In its sixth year, and commencing the second year of its five-year strategic plan, Rasameel has capitalized on the positive and encouraging results achieved during first year of strategic plan's implementation. Such success has given the company a strong impulse to regain its vigor following the global financial crisis that is nearing its end, at least in the Gulf region, which has weighed on everything related to investments locally, regionally and internationally. Despite the crisis's direct impact on Rasameel was limited, but its effect has been reflected negatively on everyone, whether insolvents or investors and on their willingness to engage in new projects, which led to a decrease in investment opportunities available to all in general. With Rasameel's getting entirely into new phase by the beginning of 2011 after a period of stagnation for several years, and after the numerous breakthroughs achieved by the company during the past year, we confidently claim that period as a turning point. This is due to the accumulation of quality experience of serious challenges acquired by the company and its staff during periods of prosperity and recession alike, which qualify Rasameel to experience maintaining those gains first, and then expand to achieve greater results in the future.

Internally, the five-year plan developed by Rasameel was based first on executing a comprehensive performance review for the company's various units, as well as investing in peoples in order to improve and enhance their productivity, while focusing on quality rather than quantity, which we believe such investment will be reflected positively on the company's entire performance. The plan also included a comprehensive review for expenditures with regular and accurate monitoring, and cutting costs as much as possible, especially the minor expense. In addition, the plan included preparation of future income statements and cash flow forecasts, developing, discussing and reviewing the company's business plan prior to being approved. This has established for a new form of intensive follow-up that lead to project's target achievement and to ensure meeting deadline for each individual project.

Strategically, the plan was based on directing the company's activities towards capital markets in the Gulf region in particular, and towards direct investments in companies and institutions that are interested in dealing with alternative finance, including assets'and debt monetization and issuance of investment certificates.

Whereas the company in its new plan follows a policy of diversification of investment and risk distribution, it is currently expanding in lease finance activity through its subsidiary "AutoLease ", that ensures securing a steady source of cash flow and rewarding returns. In addition, Rasameel is currently heading towards financing retail stores' customers through credit cards, in accordance with the provision of Islamic Shariah. This will began upon the completion of extensive studies of the feasibility of this activity.

In addition, the company is expanding gradually and cautiously towards real estate activities with recurrent returns and low risk, where this can be noted through the sizable geographical area subject to Real Estate Investment which includes Kuwait market among other Gulf countries. Also, in addition to the current policy followed, the company will adhere to a more assertive and conservative policy in its accurate monitoring of various investments in order to make exit decisions in a timely manner, either to achieve rewarding profits or avoid losses and potential risks

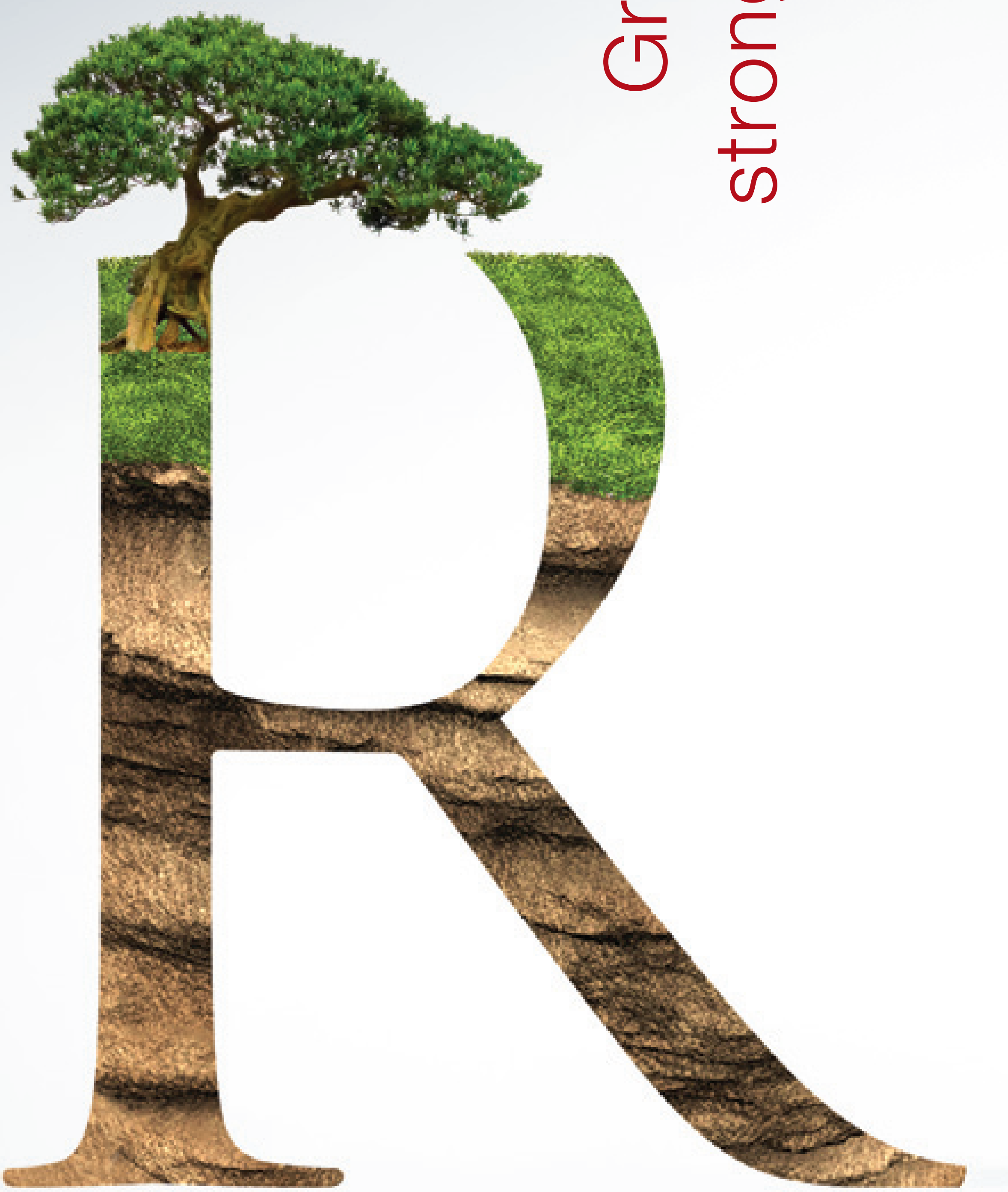
With the praise of God, Rasameel has succeeded in realizing substantial and perceptible achievements thanks to the Board and shareholders for their continuous support, their response with the company's management in their immediate interaction and adaptability with market changes and requirements. The management of the company will not flinch from the obligation to abide by its principles and its professional integrity at career in managing business to achieve the best possible results.

Finally, I extend my sincere thanks and gratitude to you all, with sincere wishes to Rasameel for further success and prosperity.

Issam Z. Al Tawari

Chairman & Managing Director

Growing on
strong foundations



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, 2013, 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 to abide by Islamic Shariah principles and rules in relation to all its activities, therefore, our opinion is limited to provide independent opinion regarding the extent of company's management compliance with Sharia principles, and present you with our report.

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:

1. The contracts and transactions that have been entered into by the company during the fiscal period ending as on 31 March 2013, were performed in accordance with the provisions of the Islamic Shariah.
2. The company did not realize any income from sources or by means prohibited Islamic Sharia.
3. 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 Barakatul.

Dr. Abdul Sattar Abu Ghuddah

Sheikh/Dr. Essa Zaki

Dr. Yousef Hassan Al Sharrah

Shiekh Abdul Sattar Al Kattan

The outlook for growth

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 2013, 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 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditors consider 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 in 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 2013, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the parent company's Articles of Association and Memorandum of Incorporation, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the parent company's Articles of Association and Memorandum of Incorporation, as amended, have occurred during the year ended 31 March 2013 that might have had a material effect on the business of the group 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 2013.

WALEED A. AL-OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

23 June 2013

Kuwait

	Notes	**2013 KD**	2012 KD
INCOME:			
Management and arrangement fee		**53,973**	210,655
Finance income	3	**246,962**	822,630
Rental income		**606,456**	489,824
Investment and other income (loss)	4	**358,156**	(277,938)
Gain on partial disposal of an associate	12	**115,293**	-
Share of results of an associate	12	**5,682**	(6,417)
Unrealised (loss) gain on revaluation of investment properties	13	**(1,280,256)**	1,706,495
Foreign exchange gain (loss)		**29,313**	(41,117)
Revenue from vehicles rental		**210,069**	-
Total income		**345,648**	2,904,132
EXPENSES:			
General and administrative expenses	5	**2,247,995**	1,503,043
Portfolio management and collection charges		**183,734**	226,987
Properties management and maintenance charges		**245,448**	183,293
Professional and legal fees		**436,233**	273,911
Finance costs		**166,827**	60,532
Total expenses		**3,280,237**	2,247,766
(Loss) profit before provision for credit and impairment losses		**(2,934,589)**	656,366
Impairment loss on financial assets available for sale	10	**(419,463)**	(227,823)
Impairment loss on held to maturity investment	11	**(864,715)**	-
Provision made for a legal case	18	**(1,105,872)**	-
Net release of provision for impairment losses on Islamic financing receivables	7	**1,871,050**	157,914
(LOSS) PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND ZAKAT		**(3,453,589)**	586,457
Contribution to KFAS		**-**	(5,278)
Zakat		**-**	(6,758)
(LOSS) PROFIT FOR THE YEAR		**(3,453,589)**	574,421

The attached nots 1 to 23 from part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	*2013* *KD*	2012 KD
(Loss) profit for the year		**(3,453,589)**	574,421
Other comprehensive income (loss):			
Available for sale investment:			
Net unrealised fair value loss		**(387,005)**	(354,429)
Impairment losses transferred to consolidated statement of income	10	**419,463**	227,823
Foreign currency translation adjustment		**8,571**	(7,886)
Other comprehensive income (loss) for the year		**41,029**	(134,492)
TOTAL COMPERHENSIVE (LOSS) INCOME FOR THE YEAR		**(3,412,560)**	439,929

The attached nots 1 to 23 from part of these consolidated financial statements.

	Note	**2013** **KD**	2012 KD
ASSETS			
Cash and cash equivalents	6	**4,613,359**	4,226,283
Islamic financing receivables	7	**559,339**	3,594,045
Investments at fair value through profit and loss	8	**898,263**	743,680
Other assets	9	**625,585**	666,878
Financial assets available for sale	10	**5,049,612**	4,442,663
Held to maturity investment	11	**-**	843,028
Investment in an associate	12	**1,644,928**	1,523,953
Investment properties	13	**10,963,833**	11,487,071
Properties and equipments	14	**1,264,462**	37,070
TOTAL ASSETS		**25,619,381**	27,564,671
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**30,000,000**	30,000,000
Statutory reserve	16	**403,129**	403,129
Share options reserve		**7,510**	7,510
Cumulative changes in fair values		**(56,805)**	(89,263)
Foreign currency translation reserve		**56,112**	47,541
Accumulated losses		**(9,403,129)**	(5,949,540)
Total equity		**21,006,817**	24,419,377
Liabilities			
Islamic finance payable	17	**1,884,463**	2,259,329
Other liabilities	18	**2,728,101**	885,965
Total liabilities		**4,612,564**	3,145,294
TOTAL EQUITY AND LIABILITIES		**25,619,381**	27,564,671

Issam Zaid Al-Tawari
Chairman & Managing Director

The attached nots 1 to 23 from part of these consolidated financial statements.

	Note	**2013** **KD**	2012 KD
OPERATING ACTIVITIES			
(Loss) profit for the year		**(3,453,589)**	574,421
Adjustments for:			
Unrealised (gain) loss on investments at fair value through profit and loss	4	**(154,582)**	316,070
Income from held to maturity investments	4	**(4,082)**	(30,180)
Income from investment deposits and saving accounts	4	**(20,411)**	(26,225)
Dividend income	4	**(21,500)**	(46,318)
Share of results of an associate	12	**(5,682)**	6,417
Gain on partial disposal of an associate	12	**(115,293)**	-
Unrealised loss (gain) on revaluation of investment properties	13	**1,280,256**	(1,706,495)
Depreciation	14	**117,420**	29,858
Finance costs		**166,827**	60,532
Impairment loss on financial assets available for sale	10	**419,463**	227,823
Impairment loss on held to maturity investment	11	**864,715**	-
Net release of provision for impairment losses on Islamic financing receivables	7	**(1,871,050)**	(157,914)
Provision made for a legal case	18	**1,105,872**	
Provision for employees' end of service benefits		**409,533**	173,697
Foreign exchange gain (loss)		**(29,313)**	41,117
		(1,311,416)	(537,197)
Working capital changes:			
Islamic financing receivables		**4,905,756**	1,321,954
Investments at fair value through profit and loss		**-**	341,702
Other assets		**45,375**	523,976
Other liabilities		**(365,535)**	(20,938)
Cash from operations		**3,274,180**	1,629,497
Employees' end of service benefits paid		**(41,167)**	(38,092)
Net cash flows from operating activities		**3,233,013**	1,591,405
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**(1,000,000)**	(2,000,000)
Proceeds from redemption of financial assets available for sale		**6,043**	5,534
Addition to investment in an associate		**-**	(889,829)
Additions to properties under development	13	**(7,386)**	(57,150)
Proceeds from held to maturity investments		**-**	53,295
Purchase of properties and equipments	14	**(1,344,812)**	(6,766)
Income from investment deposits and saving accounts	4	**20,411**	26,225
Dividend received	4	**21,500**	46,318
Net cash flows used in investing activities		**(2,304,244)**	(2,822,373)
FINANCING ACTIVITIES			
Net movement in Islamic finance payable		**(403,130)**	(174,067)
Finance costs paid		**(138,563)**	(60,532)
Net cash flows used in financing activities		**(541,693)**	(234,599)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**387,076**	(1,465,567)
Cash and cash equivalents at 1 April		**4,226,283**	5,691,850
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	**4,613,359**	4,226,283

The attached nots 1 to 23 from part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	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 2012	30,000,000	403,129	7,510	(89,263)	47,541	(5,949,540)	24,419,377
Loss for the year	-	-	-	-	-	(3,453,589)	(3,453,589)
Other comprehensive income for the year	-	-	-	32,458	8,571	-	41,029
Total comprehensive loss for the year	-	-	-	32,458	8,571	(3,453,589)	(3,412,560)
Balance at 31 March 2013	**30,000,000**	**403,129**	**7,510**	**(56,805)**	**56,112**	**(9,403,129)**	**21,006,817**
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 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

The attached nots 1 to 23 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 2013 were authorised for issuance in accordance with a resolution of the parent company's board of directors on 23 June 2013 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 Companies Law issued on 26 November 2012 by Decree Law No 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree). According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Commerce and Industry by 26 September 2013 will determine the basis and rules which the parent company shall adopt to regularise its affairs with the Companies Law as amended.

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 the Capital Market Authority. 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 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 the functional currency of the parent company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries for the year ended 31 March 2013.

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 or a date not earlier than three months from 31 December, using consistent accounting policies and are adjusted, where necessary, to bring the accounting policies in line with those of the group. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full upon consolidation.

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.

Losses within a subsidiary are 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)

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

Name of the company	Country of incorporation	Direct interest in equity % 2013	Direct interest in equity % 2012	Principal activities
Rasameel Arabian Holding K.S.CC (Formerly Rasameel Central Markets Company K.S.C.C).	Kuwait	**60**	60	General trading
Rasameel International for Credit Facilities W.L.L. (Formerly Rasameel General Trading & Contracting Company W.L.L.)	Kuwait	**98**	80	General trading and contracting
Rasameel International Holding K.S.C.C. (Formerly Rasameel Consultancies and Studies Company K.S.C.C.)	Kuwait	**60**	60	Consultancy services
Rasameel Global Holding Company K.S.C.C.	Kuwait	**96**	96	General trading
Haikala for Economical Studies Company W.L.L.	Kuwait	**50**	50	Consultancy services
Haikala Holding Company W.L.L.	Bahrain	**99**	99	General trading
Rasameel Structuring and General Trading Company W.L.L.	UAE	**99**	99	General trading
Rasameel Investment Bank Limited	UAE	**100**	100	Consultancy services and investment business
Rasameel Motors for General Trading & Contracting W.L.L. (Formerly Al Anfal Al Arabiya General Trading & Contracting Company W.L.L.)	Kuwait	**99**	49	General trading and contracting
Rasameel for Credit Facilities W.L.L (Formerly Yathreb Al Khalijiya Group for Buildings General Contracting Company W.L.L.)	Kuwait	**99**	99	General contracting

The parent company has 100% effective equity interest in all of the above subsidiaries.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Business combinations and goodwill (continued)

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 consolidated 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 consolidated statement of income.

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

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

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 for the adoption of the newly adopted policy on leases and following amended IASB Standard, relevant to the group, during the year:

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the group's 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 the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The group does not have any assets with these characteristics so there has been no effect on the presentation of its consolidated financial statements.

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

2.4 New IASB standards issued but not yet effective

IASB standards issued but not yet effective up to the date of issuance of the group's consolidated financial statements are listed below. This listing of standards issued is those that the group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the group's first annual report after becoming effective.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New IASB standards issued but not yet effective (continued)

IAS 27: Separate Financial Statements (Amendment)

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)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, 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.

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

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

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

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

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses 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. The group is in the process of evaluating the impact of IFRS 10 on the consolidated financial statements.

IFRS 12: Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the group's financial position or performance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New IASB standards issued but not yet effective (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. The standard 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. This Standard is not expected to impact the group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012

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

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32: Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

The group, however, expects no material impact from the adoption of these amendments on its financial position or performance.

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;
- Rental income on investment properties is earned on occupancy basis; and
- Revenue from vehicles rental arising from operating leases on vehicles is accounted for on a straight-line basis over the lease terms.

Leases

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

Group as a lessor

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

Leases (continued)

Group as a lessee

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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 instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and cash equivalents, Islamic financing receivables, financial assets carried at fair value through profit and loss, financial assets available for sale, held to maturity investment and other assets. Financial liabilities consist of Islamic finance payable and other liabilities.

Financial instruments - recognition, measurement and de-recognition

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

Financial instruments (continued)

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

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

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

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

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

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.

Investments at fair value through profit and loss

Financial assets at fair value through profit and loss 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)

Financial assets available for sale

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 and disclosures (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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

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
• Leased motor vehicles	5 years

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

Other liabilities

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

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 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 and disclosures (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 and disclosures (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 financial assets available for sale.

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 and disclosures (continued)

Significant accounting judgments estimates and assumptions (continued)

Valuation of investment properties

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

Investment properties under construction are also valued at fair value as determined by independent real estate valuation experts, except if such values cannot be reliably determined. The fair value of investment properties under construction is determined using a combination of the market comparison approach for the land and cost approach for the construction work.

3. FINANCE INCOME

	2013	2012
	KD	KD
Consumer financing	**246,962**	758,701
Tawarruq	**-**	39,933
Ijara	**-**	23,996
	246,962	822,630

4. INVESTMENT AND OTHER INCOME (LOSS)

	2013	2012
	KD	KD
Unrealised gain (loss) on investments at fair value through profit and loss	**154,582**	(316,070)
Realised loss on sale of investments at fair value through profit and loss	**-**	(64,591)
Income from held to maturity investments	**4,082**	30,180
Income from investment deposits and saving accounts	**20,411**	26,225
Dividend income	**21,500**	46,318
Other income	**157,581**	-
	358,156	(277,938)

5. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise of the following:

	2013	2012
	KD	KD
Staff costs and benefits	**1,761,138**	1,188,828
Operating lease	**127,340**	81,546
Depreciation (Note 14)	**117,420**	29,858
Other general and administrative expenses	**242,097**	202,811
	2,247,995	1,503,043

6. CASH AND CASH EQUIVALENTS

	2013	*2012*
	KD	*KD*
Cash and bank balances	**2,463,359**	2,026,283
Investment deposits	**2,150,000**	2,200,000
	4,613,359	4,226,283

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 0.75% (2012: 1.53%) per annum.

7. ISLAMIC FINANCING RECEIVABLES

	Consumer financing	*Tawarruq*	*Total*
	KD	*KD*	*KD*
At 31 March 2013			
Gross amount	**1,124,099**	**-**	**1,124,099**
Less: deferred income	**(15,182)**	**-**	**(15,182)**
	1,108,917	**-**	**1,108,917**
Less- impairment losses:			
Specific provision	**(545,058)**	**-**	**(545,058)**
General provision	**(4,520)**	**-**	**(4,520)**
	(549,578)	**-**	**(549,578)**
	559,339	**-**	**559,339**

	Consumer financing	*Tawarruq*	*Total*
	KD	*KD*	*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)
	(627,109)	(2,008,437)	(2,635,546)
	3,594,045	-	3,594,045

During the year, the parent company reached a binding settlement agreement with a local financial institution to settle the outstanding Tawarruq receivable amounting to KD 2,008,437 for cash and non-cash consideration amounting to KD 1,043,887 and KD 749,632 respectively (Note 13). As a result, the parent company has reversed the previously charged impairment of KD 1,793,519 in the consolidated statement of income and has written off the remaining specific provision amounting to KD 214,918.

7. ISLAMIC FINANCING RECEIVABLES (continued)

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

	General		*Specific*		*Total*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
At the beginning of the year	**32,225**	50,910	**2,603,321**	2,290,253	**2,635,546**	2,341,163
Adjustment for the new portfolio acquired during the year	**-**	72,952	**-**	379,345	**-**	452,297
Provided during the year	**-**	1,395	**90,758**	349,998	**90,758**	351,393
Provision no longer required	**(27,705)**	(93,032)	**(1,934,103)**	(416,275)	**(1,961,808)**	(509,307)
Provision written off	**-**	-	**(214,918)**	-	**(214,918)**	-
At the end of the year	**4,520**	32,225	**545,058**	2,603,321	**549,578**	2,635,546

The average profit rate attributable to consumer financing receivables is 7.9% (2012: 10.5%) per annum.

The fair values of consumer financing do not materially differ from its carrying value as it is stated net of any required provision, and will mature substantially within twelve months from the reporting date.

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2013	*2012*
	KD	*KD*
Quoted equity securities	**898,263**	743,680

9. OTHER ASSETS

	2013	*2012*
	KD	*KD*
Accrued income	**128,520**	191,316
Staff receivable	**170,024**	75,944
Advance, deposit and prepayments	**187,023**	83,119
Amount due from a related party (Note 19)	**88,783**	230,201
Others	**51,235**	86,298
	625,585	666,878

10. FINANCIAL ASSETS AVAILABLE FOR SALE

	2013	*2012*
	KD	*KD*
Unquoted managed fund	**354,665**	454,847
Unquoted equity securities	**1,694,947**	1,987,816
Unquoted debt instrument	**3,000,000**	2,000,000
	5,049,612	4,442,663

Unquoted managed fund amounting to KD 354,665 (2012: KD 454,847) is carried at net asset value reported by the investment manager. No impairment has been recognised on these investments since there has been no significant or prolonged decline in fair value below cost.

10. FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

As at 31 March 2013, unquoted equity securities amounting to KD 1,694,947 (2012: KD 1,987,816) 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 detailed review of the financial assets available for sale based on the latest available financial information of these investments to assess whether impairment has occurred in the value of these investments, as a result an impairment charge of KD 419,463 (2012: KD 227,823) has been recorded in the consolidated statement of income.

11. HELD TO MATURITY INVESTMENT

Held to maturity investment represents investment on Islamic Sukuk. The Sukuk initially matured on 2011 and was extended twice until May 2012. Subsequent to the extended maturity date, the counter party failed to repay the investment and as a result the investors filed a lawsuit against the counter party. Due to the uncertainty on the outcome of the lawsuit, the management has recorded full impairment against the investment of KD 864,715 in the consolidated statement of income during the year.

12. INVESTMENT IN AN ASSOCIATE

Details of the associate are set out below:

Name of company	***Country of incorporation***	***Effective interest in equity %*** ***2013***	*2012*	***Principal activities***
The Muharraq Mall Company L.L.C.	Bahrain	**22.5**	45	Commercial complex services

The company is an unlisted entity.

	2013 ***KD***	*2012* *KD*
At the beginning of the year	**1,523,953**	640,541
Additions	**882,450**	889,829
Disposal	**(767,157)**	-
Share of results	**5,682**	(6,417)
At the end of the year	**1,644,928**	1,523,953

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

	2013 ***KD***	*2012* *KD*
Share of the associate's statement of financial position:		
Assets	**1,628,865**	1,346,344
Liabilities	**90,466**	35,448
Net assets	**1,538,399**	1,310,896
Goodwill included in the carrying amount	**106,529**	213,057
	1,644,928	1,523,953
Share of the associate's statement of income:		
Profit (loss) for the year	**5,682**	(6,417)

12. INVESTMENT IN AN ASSOCIATE (continued)

During the year, the Company partially disposed its stake in investment in an associate for a consideration of KD 882,450 which was utilised for the capital increase. As a result, the Company's effective ownership was reduced from 45.0% to 22.5% and recorded a gain of KD 115,293 in the consolidated statement of income. Since the proceeds from the sale were directly attributed to the capital increase of the associate therefore no cashflows were recorded.

13. INVESTMENT PROPERTIES

	2013	2012
	KD	KD
At the beginning of the year	**11,487,071**	9,861,502
Additions	**7,386**	57,150
Investment properties received in settlement of financing receivables (Note 7)	**749,632**	-
Reduction of property and its related liability as a result of a settlement agreement	**-**	(138,076)
Unrealised (loss) gain on revaluation	**(1,280,256)**	1,706,495
At the end of the year	**10,963,833**	11,487,071

Investment properties are categorised into:

	2013	2012
	KD	KD
Properties under development	**909,646**	2,725,083
Developed properties	**10,054,187**	8,761,988
	10,963,833	11,487,071

The fair values of the investment properties are calculated based on the lower of the two valuations obtained from professional independent real estate valuers. Fair value of investment properties are determined by reference to value of recent transactions in the market for similar properties.

14. PROPERTIES AND EQUIPMENT

	Leasehold improvements KD	*Furniture and fixtures KD*	*Equipment KD*	*Computer software KD*	*Capital work in progress KD*	*Leased motor vehicles KD*	*Total KD*
Cost							
At 1 April 2012	101,849	142,488	121,491	104,879	-	-	470,707
Additions during the year	-	15,318	29,342	17,010	63,092	1,220,050	1,344,812
At 31 March 2013	**101,849**	**157,806**	**150,833**	**121,889**	**63,092**	**1,220,050**	**1,815,519**
Depreciation							
At 1 April 2012	101,849	141,312	93,409	97,067	-	-	433,637
Charge for the year	-	1,980	18,491	6,359	-	90,590	117,420
At 31 March 2013	**101,849**	**143,292**	**111,900**	**103,426**	**-**	**90,590**	**551,057**
Net carrying amount							
At 31 March 2013	**-**	**14,514**	**38,933**	**18,463**	**63,092**	**1,129,460**	**1,264,462**

14. PROPERTIES AND EQUIPMENT (continued)

	Leasehold improvements *KD*	*Furniture and fixtures* *KD*	*Equipment* *KD*	*Computer software* *KD*	*Total* *KD*
Cost					
At 1 April 2011	101,849	142,488	118,141	101,463	463,941
Additions during the year	-	-	3,350	3,416	6,766
At 31 March 2012	101,849	142,488	121,491	104,879	470,707
Depreciation					
At 1 April 2011	101,849	137,833	75,494	88,603	403,779
Charge for the year		3,479	17,915	8,464	29,858
At 31 March 212	101,849	141,312	93,409	97,067	433,637
Net carrying amount					
At 31 March 2012	-	1,176	28,082	7,812	37,070

15. SHARE CAPITAL

At 31 March 2013 and 31 March 2012, the authorised, issued and fully paid in cash share capital comprise 300,000,000 shares of 100 fils each.

Subsequent to the year end the board of directors has approved to extinguish the accumulated losses of the parent company by reducing the share capital by KD 9,000,000. This decision is subject to the approval of the regulators and annual general assembly.

16. STATUTORY RESERVE

As required by Companies Law and the parent company's articles of association and memorandum of incorporation, as amended, 10% of the profit for the year before contribution to KFAS, Zakat and directors remuneration should be transferred to statutory reserve. No transfer is made to statutory reserve in the year where the group incurs loss for the year.

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.

17. ISLAMIC FINANCE PAYABLE

	Ijara *KD*	*Wakala* *KD*	*Total* *KD*
At 31 March 2013			
Gross amount	**1,884,463**	**-**	**1,884,463**

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

Ijara payables carry an average rate of profit of approximately 8.36% (2012:8.76%) per annum (Note 21).

18. OTHER LIABILITIES

	2013 ***KD***	*2012* *KD*
Payable for purchase of investment properties	**182,668**	178,083
Employees' end of service benefits	**839,570**	471,204
Provision made for a legal case (see note below)	**1,105,872**	-
Other liabilities and accruals	**599,991**	236,678
	2,728,101	885,965

In 2009, one of the customers of the group filed a lawsuit against the parent company claiming that the parent company has breached terms of the financing agreement with them. The lawsuit was initially rejected by the expert section of the Court because the customer did not provide sufficient evidence to support the Lawsuit. However, in November 2012, based on information provided by the customer, the Court of First Instance determined that compensation of KD 1,105,872 should be paid to the customer.

Although the management of the parent company has appealed against this verdict, however due to the uncertainty on the final outcome of the lawsuit, the management have recorded full provision against the compensation.

19. 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.

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

	Major shareholders	*Other related parties*	**2013**	*2012*
	KD	*KD*	**KD**	*KD*
Consolidated statement of income				
Advisory fees	-	-	**-**	135,500
Consolidated statement of financial position				
Amount due from a related party (Note 9)	88,783	-	**88,783**	230,201
Islamic financing receivables (Note 7)	-	-	**-**	2,008,437
Islamic financing receivables – specific provision (Note 7)	-	-	**-**	2,008,437
Key management compensation				
Salaries and short-term benefits			**377,631**	357,420
Employees' end of service benefits			**54,794**	35,853
			432,425	393,273

20. 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:

2013	***On demand KD***	***Within 3 months KD***	***3 to 12 months KD***	***Over 1 year KD***	***Total KD***
ASSETS					
Cash and cash equivalents	2,463,359	2,150,000	-	-	**4,613,359**
Islamic financing receivables	-	316,192	157,024	86,123	**559,339**
Financial assets at fair value through profit or loss	-	-	898,263	-	**898,263**
Other assets	217,306	111,870	67,024	229,385	**625,585**
Financial assets available for sale	-	3,000,000	-	2,049,612	**5,049,612**
Investment in an associate	-	-	-	1,644,928	**1,644,928**
Investment properties	-	-	-	10,963,833	**10,963,833**
Furniture and equipment	-	-	-	1,264,462	**1,264,462**
TOTAL ASSETS	**2,680,665**	**5,578,062**	**1,122,311**	**16,238,343**	**25,619,381**

20. 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	-	-	-	839,570	**839,570**
Islamic finance payable	-	19,625	61,049	1,803,789	**1,884,463**
Other liabilities	2,226	314,049	466,383	1,105,873	**1,888,531**
TOTAL LIABILITIES	**2,226**	**333,674**	**527,432**	**3,749,232**	**4,612,564**

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

	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	-	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

21. 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.

21. RISK MANAGEMENT (continued)

Market risk

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

Profit rate risk

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

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The group manages this risk through diversification of investments in terms of industry concentration.

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

	31 March 2013			31 March 2012		
Market indices	***Change in equity price***	***Effect on other omprehensive income***	***Effect on statement of income***	Change in equity price	Effect on other comprehensive income	Effect on statement of income
	%	**KD**	**KD**	%	KD	KD
Kuwait	+5	**32,950**	**44,913**	+5	33,950	37,184
Others	+5	**69,531**	**-**	+5	94,513	-

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:

	2013	*2012*
	KD	*KD*
US Dollar	**1,192,630**	2,303,513
UAE Dirham	**2,967,798**	2,725,083
Saudi Riyal	**6,650,085**	7,867,743
Bahraini Dinar	**2,981,051**	3,491,887

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:

21. RISK MANAGEMENT (continued)

Market risk (continued)

Currency	Change in currency rate %	Effect on results KD	Effect on other comprehensive income KD	Change in currency rate %	Effect on results KD	Effect on other comprehensive income KD
	31 March 2013			*31 March 2012*		
US Dollar	+5	**12,644**	**46,988**	+5	56,697	62,828
UAE Dirham	+5	**148,390**	**-**	+5	136,254	-
Saudi Riyal	+5	**332,504**	**-**	+5	393,387	-
Bahraini Dinar	+5	**41,118**	**107,935**	+5	68,692	105,903

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 7. 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	
	2013	2012
	KD	KD
Cash and cash equivalents	**4,613,359**	4,226,283
Islamic financing receivables, net of provisions	**559,339**	3,594,045
Held to maturity investments	**-**	843,028
Other assets	**625,585**	583,759
	5,798,283	9,247,115

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.

21. RISK MANAGEMENT (continued)

Credit risk (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*	*Total* *KD*
At 31 March 2013			
Cash and cash equivalents	**4,613,359**	**-**	**4,613,359**
Islamic financing receivables			
Consumer financing	**466,294**	**657,805**	**1,124,099**
Held to maturity investments	**-**	**864,715**	**864,715**
Other assets	**625,585**	**-**	**625,585**
	5,705,238	**1,522,520**	**7,227,758**

	Neither past due nor impaired *KD*	*Past due or Impaired* *KD*	*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

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 7 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.

21. RISK MANAGEMENT (continued)

Credit risk (continued)

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

	2013	*2012*
	KD	*KD*
Banks and financial institutions	**4,613,359**	4,226,283
Islamic financing	**559,339**	3,594,045
Held to maturity investments	**-**	843,028
Others	**625,585**	583,759
	5,798,283	9,247,115

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 2013				
Islamic finance payable	**53,663**	**160,989**	**2,790,473**	**3,005,125**
Other liabilities	**316,275**	**466,383**	**1,945,443**	**2,728,101**
	369,938	**627,372**	**4,735,916**	**5,733,226**
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

22. 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 2013 and 31 March 2012.

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.

22. CAPITAL MANAGEMENT (continued)

	2013 **KD**	2012 KD
Islamic finance payable	**1,884,463**	2,259,329
Less: Cash and cash equivalents	**(4,613,359)**	(4,226,283)
Net debt	**-**	-
Total capital	**21,006,817**	24,419,377
Capital and net debt	**21,006,817**	24,419,377
Gearing ratio	**Nil**	Nil

23. 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, financial assets available for sale, 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.

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.

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 KD	*Level 2* KD	*Level 3* KD	*Total* KD
At 31 March 2013				
Investments at fair value through statement of income				
Quoted equity securities	898,263	-	-	898,263
Financial assets available for sale				
Unquoted securities	-	354,665	-	354,665
	898,263	**354,665**	**-**	**1,252,928**

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Level 1	*Level 2*	*Level 3*	*Total*
	KD	*KD*	*KD*	*KD*
At 31 March 2012				
Investments at fair value through statement of income				
Quoted equity securities	743,680	-	-	743,680
Financial assets available for sale				
Unquoted securities	-	454,847	-	454,847
	743,680	454,847	-	1,198,527

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