the end

the End...

the end or the Beginning

Annual Report 08-09

RASAMEEL
Structured Finance Co.

بسم الله الرحمن الرحيم

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

Surat Al-E'raf verses 96

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

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

www.rasameel.com

2008 2009

annual report

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adapt adapt

Is it possible to adapt and still stay the same?

stay stay matter perspective

It's a matter of perspective.

Who Is Rasameel?

The meaning of «Rasameel» name:
Rasameel is the Arabic plural form of «Capital». It means all the cash necessary for setting up a project. This fully applies to our vision as a financial institution specialized in providing liquidity that is necessary for various projects. At the same time, it fits our clients' and associates' expectations and reliance on Rasameel for support and contribution in this vital domain.

Rasameel Structured Finance, K.S.C.C («Rasameel») was established in January 2006, as a Kuwaiti shareholding company (closed) regulated by the Central Bank of Kuwait, with a paid capital of K.D.30,000,000.

Rasameel is the sole Kuwaiti Company that is licensed to carry out securitizationas an Islamic Investment Company.

Rasameel as well, provides alternative funding opportunities to those investors who shy away from investment in private equity or direct investment in real estate but wish to earn higher return. Our main target is maintaining the ongoing development of financing tools and sources. Through an updated knowledge and boundless creativity, we are able to meet the need of our clients and support their strategies.

Board of Directors

Board of Directors:

Mr. Mansour Hamad Al-Mubarak, Chairman
Mr. Issam Zaid Al-Tawari, Vice Chairman & CEO

Members:

Mr. Ahmad Abdullah Ma'rafi
Mrs. Dalia Mufarrej Al-Mufarrej
Mrs. Salwa Saud Al-Abdul Razzaq
Mr. Othman Ibrahim Al-Askar
Mr. Nasser Awadh Al-Qahtani

Sharia Supervisory Board

Sh./Dr. AbdulSattar A. AbuGhudah, Chairman

Members:

Sh./Dr. Issa Zaki
Sh. AbdulSattar A. Al-Kattan

Key Shareholders

Commercial Bank of Kuwait
Gulf Investment Corporation
A'ayan Leasing & Investment Company
The Investment Dar Group
Kuwait Investment Company
Kuwait Awqaf Public Foundation
Abdul Latif Al Issa Group

Can we grasp new opportunities without letting go of established ones?

It depends on your perspective.

Chairman's message

Dear Shareholders,

Today I take great pride to welcome you to our third Annual General Meeting. On this special occasion, I would like to seize the opportunity to extend my thanks to the wider family of Rasameel, including our honorable Board of Directors, our Management, our loyal staff, and our dear shareholders.

With great pleasure, I announce to you that, despite the world financial crisis, our 2009 performance was a sail to safe shores. Year after year, we are maintaining our presence not only in Kuwait but also in the whole region, keeping up with our progress, capitalizing on the present and believing in a bright future.

While conventional finance is going through challenging times and market participant who were filled with gloom, in the world of Islamic finance less effected with positive outlook for 'growth' and 'opportunity'. Could the tragedy that is devastating the financial markets have occurred under a Sharia compliant financial system? Nobody knows but everybody is sure that it is very doubtful.

The global financial crisis was an opportunity for our company to show its expertise, following the true principles of Sharia under the thoughtful supervision of my fellow members of the Board of Directors, the scholars, Chairman and members of the Sharia Supervisory Board.

On the financial front, we have achieved the following results. Total assets decreased to KD 36,161,071 as of 31st March 2009 from KD 47,141,131 in 2008 with a decrease of 23%. While total liabilities for year 2009 amounted KD 9,501,247 compared to KD 13,756,664 in year 2008. Total shareholders equity in 2009 decreased to KD 26,659,824 from KD 33,384,467 in year 2008 with a decrease of 20%.

Whereas net loss during 2009 amounted to KD 6,806,099 against a net profit of KD 2,166,866 in year 2008. While average loss per share was 22.7 fils in 2009 compared to earning per share of 7.2 fils in 2008.

The year was stamped with milestone achievements, revealing our last year's will to expand geographically. Indeed, we have been granted a license to Rasameel Investment Bank to operate as an Islamic Investment Bank in the Dubai International Financial Centre (DIFC).

Always in line with our strong drive towards growth and expansion, and in compliance with the watchword of the company to seize each and every golden opportunity, we have obtained the initial approval from the Central Bank of Bahrain to incorporate an Investment Company domiciled in Bahrain.
From an operational perspective, the company arranged USD 100 million Morabaha syndication for Ithmaar Bank in the Kingdom of Bahrain. The company also acted as the Investment Advisor for the launching of the Investate Tideway Fund of GBP 70 million through Rasameel Investment Bank. On a separate note, the company was awarded the Best Islamic Investment Firm in Kuwait for the year 2008 by the International Real Estate Financing Conference in London.

It is worth noting that during the last period, the company pursued various securitization opportunities in Kuwait and the Region, in addition to its diligent efforts to incorporate Rasameel Saudi Arabia in collaboration with Abdul-Latif Al Essa Holding Group. Nevertheless, and due to the current unforeseen financial crisis, the incorporation process was put on hold.

For the upcoming fiscal year 2009/2010. Rasameel aims to focus on asset securitization and direct investment & advisory services. We are looking forward to crossing the borders and opening up to international markets. Our plan, which is Sharia'a compliant financing, would be to establish a joint venture with a foreign financial company to obtain liquidity for direct investment and advisory services for companies affected by the financial crisis and to provide restructuring advisory through securitization. Our vocation is to chase available opportunities in direct investment for a new profile of investors.

Today more than ever, Rasameel Structured Finance Company is radically keen to promote the development of Islamic capital markets not only for the good of the investors but also for the greater good of the financial industry.

May Allah grant His blessings to all of us,

Mansour H. Al Mubarak
Chairman

Can challenges also be opportunities?

Yes, with the right perspective.

CEO's Message

Shareholders and friends,

2008, a year of precipitous global economic deterioration, in numerous ways presented a 'maturity test' for the Islamic finance industry. Whilst Islamic finance continued to develop, it was hit with a liquidity crunch precipitated by the global financial crisis which was triggered by the collapse of the US subprime housing market and aggravated by financial negligence rooted in excessive speculative practices. Nevertheless, Islamic finance continues to demonstrate its underlying strengths and the inherent benefits of its economic posture, albeit it isn't completely immune from the far reaching impact of the global financial crisis. Islamic finance was not exposed to the toxic assets the prime agency behind the substantial losses incurred by the global banking sector and did not undertake in activities of speculative excess which exacerbated the global economic downturn. The entirety of Islamic finance is fundamentally based on an asset linked profit and loss structure which requires a financier to invest with the obligor in order to finance their needs rather than merely lending money to the client, creating a clearly defined association between Islamic finance and genuine economic activity. Notwithstanding financial markets continue to deteriorate and the extent of its duration remains precarious, Islamic finance continues to draw increased global interest.

Rasameel's Islamic finance services lies in its unique expertise in structuring Sharia'a compliant securitization and asset backed financing, a form of financing that entails an added dimension to mere lending vis-à-vis conventional, mainstream retail financing and provides institutions a complementary alternative to conventional institutional lending. Specifically, securitization is a device of structured financing where an entity seeks to pool together its interest in defined assets and its identifiable cash flows generated therein over time and transfer the same to investors through the sale of a stream of cash flows that was otherwise to accrue to it. Rasameel, being the sole company in Kuwait licensed by the Central Bank to carry out Sharia'a compliant securitization, prides itself in its expertise in providing securitization financing which represents a valuable asset to the company and provides much needed depth to the local and regional capital markets.

In 2008, we are pleased to report that despite the challenging economic conditions our region has endured, we were able to achieve significant milestones. In May 2008, Rasameel successfully led, arranged, and placed a US$100 million Murabaha Facility for Ithmaar Bank B.S.C. The Facility was syndicated amongst regional financial institutions.

Moreover, Rasameel is proud to have successfully closed a transaction with the Bahraini based real estate company, The Malls Company W.L.L., to acquire a 45% stake in Muharraq Mall Company, a Bahraini based company. The owning entity of the real estate project will develop a retail Mall, in the area Muharraq in the Kingdom of Bahrain, to be named Muharraq Mall.

The plans for the Mall are set to contain elements of retail and leisure and have been designed to cater to the needs of residents and visitors to Muharraq. The Malls Company W.L.L. procured a build-operate-transfer agreement from Muharraq Sports Club for an initial tenure of 35 years.

Rasameel's UAE subsidiary, RIB, was incorporated in wDIFC in October 2008. RIB is regulated by the DFSA and has a Category 3 License. RIB aims to provide specialized financial capital market services (long term equity and Sukuk financing), financial advisory, and investment & asset management offerings.

Furthermore, RIB was mandated by Investate Realty B.S.C. to act as investment manager and placement agent for Investate Tideway Wharf, a closed-ended company domiciled in the Cayman Islands established for the purpose of acquiring and redeveloping a 4.5 acre prime waterfront site located on the bank of River Thames in Battersea, London.

RIB has also entered into a strategic joint venture with Oakwood Global Finance LLP (FSA regulated), a UK based consumer finance specialist, to offer debt management and recovery solutions to GCC based Sharia'a compliant financial institutions. The joint venture will advise regional companies on all aspects of the 'credit lifecycle' to deliver sustainable improvements in debt management and collection performance. The holistic advisory approach adopted by the JV is intended to provide a dynamic solution for clients – in each case providing a bespoke solution and service.

In recognition of its efforts in pioneering structured finance and securitization activities in the region, Rasameel was awarded the best investment company in Kuwait for 2008 by the IREFS in London.

Whilst we are pleased to report to you our achievements in 2008, over the coming year, we will continue to focus our efforts on advancing Rasameel's capital markets capabilities and expertise and, correspondingly, remain open-eyed to capitalize on growth opportunities. Despite the recent market turmoil, we believe there are opportunities to be found in M&A activity: we are taking steps to be proactive on the M&A front through the adoption of a disciplined growth strategy into business lines that will complement and enhance our core competency as capital markets service providers and strengthen our capabilities in developing comprehensive product and service offerings to our clients. Furthermore, we are currently undertaking a thorough review of our current operations, commitments and investments criteria in order to strongly position ourselves to, not only stand firm through the economic crisis that has yet to dissipate, but by Allah's grace to also be at the forefront of the Islamic finance and investment industry.

Mr. Issam Zaid Al Tawari
Vice Chairman & CEO

Can challenges also be opportunities?

Yes, with the right perspective.

Sharia Supervisory Board's Report

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

Dear Shareholders of Rasameel Structured Finance Company

Assalamu Alaikum Wa Rahmatu Allah Wa Barakatuh

Pursuant to the request of the Board of Directors of the company, we present to you the following report:

We have reviewed the contracts pertaining to the transactions and applications which have been raised by the company during the fiscal period ending on 31st March 2009. We have performed the review necessary to present an opinion regarding whether the company have abided by the provisions of the Islamic Sharia in its transactions.

We have planned and executed our review to obtain all the information and explanations that are deemed appropriate for the purpose of providing us with reasonable evidence and assurance that the company did not violate the provisions of the Islamic Sharia.

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 2009, which have been reviewed by us, were performed in accordance with the provisions of the Islamic Sharia.
2. The company did not realize any gains from resources or through any means that are prohibited under the Islamic Sharia principles.
3. The computation of Zakat was performed in accordance with Islamic Sharia, rules.

Seeking the guidance of Allah the Almighty,

Wasalamu Alaikum Wa Rahmatu Allah Wa Barakatul

Dr. Abdul Sattar Abu Ghuddah
Head of Sharia Supervisory Board

Sheikh/Dr. Essa Zaki
Board Member

Sheikh Abdul Sattar Al-Qattan
Board Member

We have audited the accompanying consolidated financial statements of Rasameel Structured Finance Company K.S.C. (Closed) ("the parent company") and its subsidiaries ("the group"), which comprise the consolidated balance sheet as at 31 March 2009 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The management of the parent company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted for use by the State of Kuwait. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 March 2009 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on Other Legal and Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2008 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 2009.

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

21 June 2009
Kuwait

Rasameel Structured Finance Company K.S.C. (Closed) and Subsidiaries
CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2009

	Notes	2009 KD	2008 KD
INCOME			
Arrangement and advisory fees		**445,310**	1,037,543
Finance income	3	**1,846,529**	2,444,963
Investment (loss) income	4	**(2,359,394)**	1,026,432
Shares of loss of associate		**(79,593)**	-
Real estate (loss) income	5	**(1,517,181)**	55,914
Other income		**79,930**	6,622
General and administrative expenses		**(2,946,611)**	(1,574,843)
Finance costs		**(359,921)**	(445,223)
Impairment loss on available for sale investments		**(200,000)**	-
Provision for impairment of Islamic financing receivables	6	**(1,715,168)**	(334,720)
(LOSS) PROFIT BEFORE CONTRIBUTION TO KFAS, ZAKAT AND DIRECTORS' REMUNERATION		**(6,806,099)**	2,216,688
Contribution to KFAS		**-**	(19,950)
Zakat		**-**	(6,872)
Directors' remuneration		**-**	(23,000)
(LOSS) PROFIT FOR THE YEAR		**(6,806,099)**	2,166,866

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

Rasameel Structured Finance Company K.S.C. (Closed) and Subsidiaries
CONSOLIDATED BALANCE SHEET
At 31 March 2009

	Notes	2009 KD	2008 KD
ASSETS			
Cash and bank balances		**4,933,331**	13,254,920
Other assets		**257,927**	798,099
Islamic financing receivables	6	**15,723,976**	24,294,644
Investments at fair value through income statement	7	**1,293,000**	2,896,330
Available for sale investments	8	**2,872,324**	2,359,775
Investment in an associate	9	**666,972**	727,778
Investment properties	10	**1,133,440**	1,382,212
Properties under development	12	**6,686,852**	-
Held to maturity investments	11	**2,431,321**	1,203,911
Furniture and equipment		**161,928**	223,462
TOTAL ASSETS		**36,161,071**	47,141,131
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**30,000,000**	30,000,000
Statutory reserve	14	**344,483**	344,483
Share options reserve		**7,510**	7,510
Foreign currency translation reserve		**81,456**	-
(Accumulated deficit) retained earnings		**(3,773,625)**	3,032,474
Total equity		**26,659,824**	33,384,467
Liabilities			
Islamic financing payables	15	**5,006,502**	13,401,353
Other liabilities	16	**4,494,745**	355,311
Total liabilities		**9,501,247**	13,756,664
TOTAL EQUITY AND LIABILITIES		**36,161,071**	47,141,131

Mansour Hamad Al-Mubarak
Chairman

Issam Zaid Al-Tawari
Vice Chairman – Chief Executive Officer

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

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2009

	2009 KD	*2008 KD*
OPERATING ACTIVITIES		
(Loss) profit for the year	**(6,806,099)**	2,166,866
Adjustments for:		
Income from held to maturity investments	**(217,002)**	(86,071)
Unrealized gain on revaluation of investment properties	**-**	(55,914)
Realized gain on sale of investment properties	**(40,045)**	-
Impairment loss on properties under development	**1,557,226**	-
Dividend income	**(97,745)**	(27,495)
Depreciation	**110,474**	96,606
Share of loss of associate	**79,593**	-
Provision for employees' end of service benefits	**137,157**	107,335
Finance costs	**359,921**	445,223
Impairment loss on available for sale investments	**200,000**	-
Provision for impairment of Islamic financing receivables	**1,715,168**	334,720
	(3,001,352)	2,981,270
Changes in operating assets and liabilities:		
Investments carried at fair value through income statement	**1,603,330**	(2,219,617)
Islamic financing receivables	**6,855,500**	(9,999,545)
Other assets	**728,947**	(540,111)
Other liabilities	**4,139,434**	183,475
Cash from (used in) operations	**10,325,859**	(9,594,528)
Employees' end of service benefits paid	**(53,694)**	(15,974)
Net cash from (used in) operating activities	**10,272,165**	(9,610,502)
INVESTING ACTIVITIES		
Purchase of furniture and equipment	**(48,940)**	(43,882)
Purchase of held to maturity investments	**(1,227,410)**	-
Purchase of available for sale investments	**(712,549)**	(2,012,871)
Purchase of investment properties	**(983,940)**	(1,126,823)
Proceed from sale of investment properties	**1,272,757**	-
Purchase of investment properties under development	**(8,244,078)**	-
Purchase of investment in an associate	**(18,787)**	(727,778)
Saving accounts income received	**28,226**	-
Dividend income received	**95,738**	27,495
Net cash used in investing activities	**(9,838,983)**	(3,883,859)
FINANCING ACTIVITIES		
Islamic financing (paid)/obtained	**(8,754,771)**	12,956,130
Net cash (used in) from financing activities	**(8,754,771)**	12,956,130
DECREASE IN CASH AND BANK BALANCES	**(8,321,589)**	(538,231)
Cash and bank balances at the beginning of the year	**13,254,920**	13,793,151
CASH AND BANK BALANCES AT THE END OF THE YEAR	**4,933,331**	13,254,920

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

	Share capital KD	*Statutory reserve KD*	*Share options reserve KD*	*Foreign currency reserve KD*	*(Accumulated deficit) retained earnings KD*	*Total KD*
At 1 April 2008	30,000,000	344,483	7,510	-	3,032,474	33,384,467
Foreign currency translation adjustment	-	-	-	81,456	-	81,456
Net income recognized directly in equity	-	-	-	81,456	-	81,456
Loss for the year	-	-	-	-	(6,806,099)	(6,806,099)
Total income (expenses) for the year	-	-	-	81,456	(6,806,099)	(6,724,643)
At 31 March 2009	**30,000,000**	**344,483**	**7,510**	**81,456**	**(3,773,625)**	**26,659,824**
At 1 April 2007	30,000,000	122,814	7,510	-	1,087,277	31,217,601
Profit for the year	-	-	-	-	2,166,866	2,166,866
Total income for the year	-	-	-	-	2,166,866	2,166,866
Transfer to statutory reserve	-	221,669	-	-	(221,669)	-
At 31 March 2008	30,000,000	344,483	7,510	-	3,032,474	33,384,467

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

Rasameel Structured Finance Company K.S.C. (Closed) and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2009

1. 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 2009 were authorized for issuance in accordance with a resolution of the parent company's board of directors on 21 June 2009 and were approved by the relevant regulatory authority before issuance. The Annual General Meeting of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

The parent company is a closed shareholding company incorporated on 4 January 2006 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. It is engaged in investment in the local and international markets and is regulated by the Central Bank of Kuwait. All activities of the group are carried out in compliance with the Islamic Sharia, as approved by the parent company's Fatwa and Sharia Supervisory Board.

The registered office of the parent company is located on the 13th Floor, Ahmed Tower, Gulf Road, Dasman, Sharq, and P.O. Box 4915, Safat 13050, Kuwait.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been presented in Kuwaiti Dinars, which is the group's functional currency, and are prepared under the historical cost convention as modified for the measurement at fair value of investments at fair value through income statement, investment properties and available for sale investments.

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) except for the IAS 39 requirement for collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in preparation of the annual consolidated financial statements for the year ended 31 March 2008 except for the newly adopted accounting in respect of properties under development.

International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued but not adopted

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

- IAS 1(Revised): Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 (Revised): Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IFRS 2 (Revised): Share Based Payment (effective for annual periods beginning on or after 1 January 2009)
- IFRS 3 (Revised): Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IAS 27 (Revised): Consolidated and Separate Financial Statement (effective for annual periods beginning on or after 1 July 2009)
- Improvements to IFRS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued but not adopted (continued)

IAS 1 Revised Presentation of Financial Statements

The standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the consolidated statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The group is still evaluating whether it will have one or two statements.

IAS 23 Borrowing Costs (Revised)

This standard will require an entity to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removes the option of expensing these borrowing costs in the consolidated income statement. The application of the revised IAS 23 will not impact the consolidated financial statements as the group currently capitalizes eligible finance costs.

IFRS 2 Share-based Payment (Revised)

The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The application of revised IFRS 2 is not expected to have material effect on the consolidated financial statements of the group.

IFRS 3 Business Combinations and IAS 27R Consolidated and Separate Financial Statements (Revised)

IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interest.

Improvement to IFRSs

The IASB issued amendments to certain standards primarily with a view to removing inconsistencies and providing clarifications to those standards. The group has not early adopted those amendments to IFRSs and anticipates that these changes will have no material effect on the consolidated financial statements. The amendment to improvement in IFRSs comes into effect for annual reporting periods beginning on or after 1 January 2009.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries. The financial statements of the subsidiaries are prepared for the year ended 31 December 2008 using consistent accounting policies. Adjustments are made for the effect of any significant event or transactions occurring in the months following the year end of the subsidiaries and 31 March 2009.

The consolidated financial statements include the following primary material subsidiaries. These were also included in the consolidated financial statements at 31 March 2008:

Name of the company	Country of incorporation	Interest in equity % 2009	Interest in equity % 2008	Principal activities
Rasameel Central Markets Company – K.S.C.C	Kuwait	**100**	100	General trading
Rasameel General Trading & Contracting Company – W.L.L.	Kuwait	**100**	100	General trading and contracting activities
Haikala for Economical Studies - W.L.L.	Kuwait	**100**	100	Consultancy services
Haikala Holding L.L.C.	Bahrain	**100**	100	General trading
Rasameel Consultancies and Studies K.S.C.C.	Kuwait	**100**	100	Consultancy services

During the year ended 31 March 2009, the group has established and consolidated the following new subsidiaries:

Name of the company	Country of incorporation	Interest in equity % 2009	Interest in equity % 2008	Principal activities
Rasameel Structure Finance – Bahrain B.S.C.	Bahrain	**100**	-	Investment business
Rasameel Global Holding – K.S.C.C.	Kuwait	**100**	-	General trading
Rasameel Structuring and General Trading W.L.L.	UAE	**100**	-	General trading
Rasameel Investment Bank Limited	UAE	**100**	-	Consultancy services & Investment Business

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group are eliminated on consolidation.

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 that such control ceases. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized 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 recognized 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 recognized:

- Management, arrangement and advisory fees are recognized when earned.
- Islamic financing income which comprises tawarruq and wakala are recognized on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.
- Dividend income is recognized when the right to receive the payment is established.
- Profit from saving accounts and held to maturity investments are recognized as the profit accrues.
- Income from the sale of properties is recognized when the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

Finance costs

Finance costs are calculated and recognized on a time proportion basis taking into account the outstanding balance payable and applicable finance cost rate.

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.

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 income statement.

In addition to the Zakat required by the Law, additional Zakat is calculated at 2.577% on the reserves at the end of the year before transfers to reserves for the year, and calculated under the direction of the parent company's Fatwa and Sharia Supervisory Board. Zakat is charged to general reserve.

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.

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognized when the group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognized when the contractual rights to cash flows from the financial asset expire, the group has transferred substantially all the risks and rewards and when it has neither transferred nor retained substantially all the risks and rewards of ownership or when it no longer has control over the asset or proportion of the asset. A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash in hand, bank balances and murabaha investments with an original maturity of three months or less.

Accounts receivable

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

Islamic financing receivables

Tawarruq receivables

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

Wakala receivables

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

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

Investments at fair value through income statement

All investments are initially recognized at fair value. Transaction costs are expensed immediately. After initial recognition, investments are re-measured at fair value. Unrealized gains and losses are included in the consolidated income statement.

Available for sale investments

Available for sale investments are recognized and derecognized, on a trade date basis, when the group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available for sale investments are initially recorded at cost (including transactions costs that are directly attributable to the acquisition or issue) and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair values" within equity is included in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 measurement held to maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective profits method of any difference between the initially recognized 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 interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet 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 recognized in the consolidated income statement. 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 recognized in the consolidated income statement;
(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 amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective rate.

For available for sale equity instruments reversal of impairment losses are recorded as increase in cumulative changes in fair values through equity.

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 balance sheet 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 recognized in prior years is recorded when there is an indication that the impairment losses recognized 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 recognized. Except for equity instruments classified as available for sale, reversals of impairment losses are recognized in the consolidated income statement to the extent the carrying value of the asset does not exceed its amortized cost at the reversal date. Reversals in respect of equity instruments classified as available for sale are recognized in the fair value reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Islamic financing payables

Tawarruq payables
Tawarruq payables represent amounts due arising from an Islamic financing arrangement where the liability is settled on a deferred payment basis. Tawarruq payables are stated at the net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Wakala payables
Wakala payables represent amounts payable on a deferred settlement basis for financial assets purchased under wakala arrangements. Wakala payables are stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

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 amount payable on a deferred settlement basis for assets purchased under leasing arrangements.

Accounts payable and accruals

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

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 Kuwaiti employees, the group makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associate

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 recognized 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 amortized. The group recognizes in the consolidated income statement its share of the total recognized 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 recognized directly in equity; fair value reserve or foreign currency translation reserve as appropriate.

Unrealized gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealized 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 recognized 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 are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise.

Properties under development

Properties under development are stated at cost less any impairment in value.

The carrying value of the property is reviewed for impairment when events or changes in circumstances indicate that 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.

2. SIGNIFICANT ACCOUNTING POLICIES (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	- over 4 years
Furniture and fixtures	- over 4 years
Equipment	- over 3 years
Computer software	- over 3 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

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

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

The cost of equity-settled transactions is recognized, 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 recognized 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.

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 balance sheet date. All differences are taken to the consolidated income statement.

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 balance sheet date, and the income statement 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 deferred cumulative amount recognized in equity relating to the particular foreign associate is the recognized in consolidated income statement.

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.

Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognized 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values

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

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

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

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

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

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

Other financial assets and 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 and estimates

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.

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

The management classifies investments as carried at fair value through income statement 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 income statement 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 income statement.

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 which the management has the positive intention and ability to hold to maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
Significant accounting judgments and estimates (continued)

All other investments are classified as available for sale.

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 property under development if it is acquired with the intention of development.

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.

Impairment provision for 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 judgement.

In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment provision for 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.

Impairment losses on finance facilities
The management decides whether a provision for impairment should be recorded in the consolidated income statement. Based on its assessment for recoverability, considerable judgement 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.

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.

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

3. FINANCE INCOME

	2009 KD	2008 KD
Wakala	916,529	1,352,256
Tawarruq	930,000	1,092,707
	1,846,529	2,444,963

4. INVESTMENT (LOSS) INCOME

	2009 KD	2008 KD
Unrealized (loss) gain on investments at fair value through income statement	(1,395,907)	308,016
Realized (loss) gain on sale of investments at fair value through income statement	(1,306,772)	487,431
Income from held to maturity investments	217,002	86,071
Income from saving accounts	28,538	117,419
Dividend income	97,745	27,495
	(2,359,394)	1,026,432

5. REAL ESTATE (LOSS) INCOME

	2009 KD	2008 KD
Gain on sale of investment properties	40,045	-
Unrealized gain on revaluation of investment properties	-	55,914
Impairment loss on properties under development	(1,557,226)	-
	(1,517,181)	55,914

6. ISLAMIC FINANCING RECEIVABLES

	Wakala	Tawarruq	Total
	2009 KD	2009 KD	2009 KD
Gross amount	9,081,787	9,959,522	19,041,309
Less: deferred income	(1,112,110)	(5,165)	(1,117,275)
	7,969,677	9,954,357	17,924,034
Less: impairment losses:			
specific provision	-	(2,020,818)	(2,020,818)
general provision	(79,697)	(99,543)	(179,240)
	7,889,980	7,833,996	15,723,976

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6. ISLAMIC FINANCING RECEIVABLES (continued)

	Wakala	Tawarruq	Total
	2008 KD	2008 KD	2008 KD
Gross amount	15,965,016	11,097,938	27,062,954
Less: deferred income	(2,040,839)	(242,581)	(2,283,420)
	13,924,177	10,855,357	24,779,534
Less: provision for impairment	(320,241)	(164,649)	(484,890)
	13,603,936	10,690,708	24,294,644

Islamic financing receivables are stated net of a general and specific provision for impairment as follows:

	General		Specific		Total	
	31 March 2009 KD	31 March 2008 KD	31 March 2009 KD	31 March 2008 KD	31 March 2009 KD	31 March 2008 KD
Balance at the beginning of the year	484,890	150,170	-	-	484,890	150,170
Provided during the year	-	334,720	2,020,818	-	2,020,818	334,720
Reversal of excess in provision	(68,556)	-	-	-	(68,556)	-
Provision no longer required	(237,094)	-	-	-	(237,094)	-
Balance at the end of the year	179,240	484,890	2,020,818	-	2,200,058	484,890

In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and from 1% to 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities would be retained as a general provision until a further directive from the Central Bank of Kuwait is issued.

Average profit rate attributable to tawarruq receivables is 9.45% per annum (2008: 8.14% per annum).

Average profit rate attributable to wakala receivables is 8.5% per annum (2008: 8.56% per annum).

The fair values of wakala and tawarruq receivables do not materially differ from their carrying values as they are stated net of any required provision, and will mature within twelve months from the balance sheet date.

7. INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	2009 KD	*2008* KD
Quoted equity securities	**1,293,000**	2,606,330
Unquoted equity security	**-**	290,000
	1,293,000	2,896,330

8. AVAILABLE FOR SALE INVESTMENTS

	2009 KD	*2008* KD
Unquoted equity securities	**2,872,324**	2,359,775

Unquoted securities represent the group's holding in certain entities for which the realizable fair market values are not available; as such, these investments are carried at cost. In the opinion of the management, and based on impairment study, the fair value of these investments is not significantly different from their carrying values.

9. INVESTMENT IN AN ASSOCIATE

Name of the company	*Interest in equity %*			
	2009	*2008*	***2009*** KD	*2008* KD
Muharaq Mall L.L.C.	**45**	45	**666,972**	727,778

The associate represents an incorporated entity located in Bahrain. During the year, there was a loss in the associate amounting to KD 176,873. Therefore, the group booked in the current year a share of losses of the associate in consolidated income statement for the amount of KD 79,593 (2008: Nil).

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

	2009 KD	*2008* KD
Share of associate's balance sheet:		
Assets	**516,526**	520,149
Liabilities	**62,611**	-
Net assets in the books of the associate	**453,915**	520,149
Goodwill included in the carrying amount	**213,057**	207,629
	666,972	727,778

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10. INVESTMENT PROPERTIES

	2009 KD	*2008* KD
At the beginning of the year	**1,382,212**	199,475
Purchase of investment properties	**983,940**	1,126,823
Disposal of investment properties	**(1,232,712)**	-
Change in fair value	**-**	55,914
At the end of the year	**1,133,440**	1,382,212

During the year, the group sold a land in United Arab Emirates with a carrying value of KD 255,630 for total consideration of KD 295,675, realizing in a gain of KD 40,045.

Also during the year, the group sold a plot of land in Bahrain at cost. The carrying value of the land was KD 977,082.

11. HELD TO MATURITY INVESTMENTS

Held to maturity investments represent investments in sukouks issued in 2006 and 2008 and will mature in 2011 and 2009, respectively. The profit rate attributable to these sukouk is 2% per annum above LIBOR rate (2008: 2% per annum above LIBOR rate) payable semi annually.

12. PROPERTIES UNDER DEVELOPMENT

	2009 KD
At 1 April 2008	**-**
Additions	**8,244,077**
Impairment	**(1,557,225)**
At 31 March 2009	**6,686,852**

Properties under development include certain plots of land located in United Arab Emirates. These plots are accounted for as property under development to be transferred to investment properties when developed as the future use is indeterminable.

13. SHARE CAPITAL

The authorized, issued and fully paid up share capital as of 31 March 2009 comprised 300,000,000 shares of 100 fils each (31 March 2008: 300,000,000 shares of 100 fils each).

14. STATUTORY RESERVE

As required by the Law of Commercial Companies and the parent company's articles of association, 10% of the profit for the year/period before Zakat, contribution to Kuwait Foundation for the Advancement of Sciences and Directors' remuneration has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

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.

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15. ISLAMIC FINANCING PAYABLES

	Ijarah		Tawarruq		Wakala		Total	
	2009 KD	2008 KD	2009 KD	2008 KD	2009 KD	2008 KD	2009 KD	2008 KD
Gross amount	1,924,762	-	3,127,151	3,127,849	-	10,423,836	5,051,913	13,551,685
Less: deferred profit payable	-	-	(45,411)	(46,109)	-	(104,223)	(45,411)	(150,332)
	1,924,762	-	3,081,740	3,081,740	-	10,319,613	5,006,502	13,401,353

Ijarah payable represents the amount payable on a deferred settlement basis relating to the financing of a property under development in the United Arab Emirates, Refer to Note 12.

Tawarruq payables represent wakala contract with an unrelated party maturing within 3 months from the balance sheet date. The average effective cost attributable to this contract is 8.5 % per annum (2008: 8.5 %)

16. OTHER LIABILITIES

	2009 KD	2008 KD
Payable for properties under development	4,061,745	-
Other liabilities and accruals	433,000	355,311
	4,494,745	355,311

17. RELATED PARTY TRANSACTIONS

Related parties represent associate, 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 with related parties included in the consolidated income statement are as follows:

	Major shareholders KD	2009 KD	2008 KD
Arrangement and advisory fees	-	-	215,725
Finance income	953,074	953,074	582,539
Unrealized loss on investments at fair value through income statement	-	-	107,125
Realized (loss) gain on sale of investments at fair value through income statement	(260,882)	(260,882)	58,570
Dividend income	31,691	31,691	8,400

17. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the consolidated income statement are as follows:

	Major shareholders KD	2009 KD	2008 KD
Amounts due from related parties	-	-	182,797
Islamic financing receivables	9,990,495	9,990,495	10,868,081
Investments at fair value through income statement	-	-	616,620

Key management compensation

The remuneration of directors and other members of key management during the year/period were as follows:

	2009 KD	2008 KD
Short-term employee benefits	492,345	472,189
Provision for management executive bonus	58,664	51,192
End of service benefits	88,703	80,879
	639,712	604,260

18. FIDUCIARY ASSETS

The group manages accounts on behalf of others which are not reflected in the group's consolidated balance sheet amounted to KD 1,360,717 (2008: KD 6,206,371)
The total income earned from fiduciary activities during the year ended 31 March 2009 amounted to KD 12,525 (31 March 2008: KD 8,307).

19. RISK MANAGEMENT

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk, currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the group's strategic planning process.

Risk management structure
The directors of the parent company are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

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.

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19. RISK MANAGEMENT (continued)

Maximum exposure to credit risk
The group's policy is to enter into Islamic financing arrangements only with recognized, creditworthy third parties. The maximum aggregate exposure is the gross amount as disclosed in Note 6. In addition, these receivable balances are monitored on an ongoing basis.

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

The group's Islamic financing receivable is primarily granted to clients located in Kuwait.

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.

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 summarizes the credit quality of Islamic financing receivables.

	Neither past due nor impaired 2009 KD	***Past due or impaired 2009 KD***	***Total 2009 KD***
Islamic financing receivables:			
Wakala	**7,889,980**	**-**	**7,889,980**
Tawarruq	**825,156**	**7,008,840**	**7,833,996**
	8,715,136	**7,008,840**	**15,723,976**

	Neither past due nor impaired 2008 KD	*Past due or impaired 2008 KD*	*Total 2008 KD*
Islamic financing receivables:			
Wakala	13,603,936	-	13,603,936
Tawarruq	10,690,708	-	10,690,708
	24,294,644	-	24,294,644

19. RISK MANAGEMENT (continued)

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

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.

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

	2009 KD	*2008 KD*
Banks and financial institutions	**16,769,391**	35,219,691
Construction and real estate	**14,523,925**	11,365,181
Other	**4,867,755**	556,259
	36,161,071	47,141,131

Maximum exposure to credit risk
The group's gross assets can be analyzed by class of financial assets as follows:

The tables below provide information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties:

The table below shows the maximum exposure to credit risk for the components of the consolidated balance sheet, without taking account of credit enhancements.

	Gross maximum exposure 2009 KD	*Gross maximum exposure 2008 KD*
Cash and cash equivalents	**4,933,331**	13,254,920
Other assets	**251,273**	773,701
Islamic financing receivables	**19,041,309**	27,062,954
Held to maturity investments	**2,431,321**	1,203,911
Total credit risk exposure	**26,657,234**	42,295,486

19. RISK MANAGEMENT (continued)

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.

As the group only finances under Islamic principles, other than bank balances and cash, all financial instruments are secured over the underlying assets.

Analysis of past due but not impaired
See Note 6 for more detailed information with respect to the allowance for impairment losses on Islamic financing receivable.

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:

31 March 2009	1 to 3 months KD	3 to 12 months KD	Over One year KD	Total KD
Islamic financing payables	3,127,151	1,924,762	-	5,051,913
Other liabilities	63,289	3,205,780	1,225,676	4,494,745
Total liabilities	3,190,440	5,130,542	1,225,676	9,546,658

31 March 2008	1 to 3 months KD	3 to 12 months KD	Over One year KD	Total KD
Islamic financing payables	13,551,685	-	-	13,551,685
Other liabilities	95,349	259,962	-	355,311
Total liabilities	13,647,034	259,962	-	13,906,996

19. 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, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

The group is not exposed to any risk in terms of the repricing of its liabilities since the group does not provide contractual rates of return to its depositors in accordance with Islamic Shareea'a.

Finance costs risk
Finance costs risk is the risk that the value of a financial instrument will fluctuate due to changes in the market rates. Financial instruments, which potentially subject the group to finance cost risk, consist primarily of Islamic financing receivables, held to maturity investments and Islamic financing payables.

The group is not exposed to significant finance cost risk as the group only uses Islamic financial instruments and the rates for these instruments are fixed.

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:

	2009 KD	2008 KD
US Dollar	5,604,447	2,711,290
UAE Dirham	2,574,301	255,630
Saudi Riyal	149,500	179,728
Bahraini Dinar	3,891,156	1,863,672

19. RISK MANAGEMENT (continued)

The effect on profit before Zakat, KFAS and directors' remuneration (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	31 March 2009			31 March 2008		
Currency	Change in currency rate in %	Effect on profit KD	Effect on equity KD	Change in currency rate in %	Effect on profit KD	Effect on equity KD
US Dollar	+5	**203,529**	**76,693**	+5	60,196	75,369
UAE Dirham	+5	**128,715**	**-**	+5	12,782	-
Saudi Riyal	+5	**7,475**	**-**	+5	-	-
Bahraini Dinar	+5	**58,624**	**135,934**	+5	-	6,345

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

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 equity (as a result of a change in the fair value of available for sale investments) and group's profit before Zakat, KFAS and directors' remuneration (as a result of a change in the fair value of investments carried at fair value through income statement) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	31 March 2009			31 March 2008		
Market indices	Change in equity price %	Effect on equity KD	Effect on profit KD	Change in equity price %	Effect on equity KD	Effect on profit KD
Kuwait	+5	**51,192**	**64,650**	+5	-	162,926
Others	+5	**97,992**	**-**	+5	103,714	14,500

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

Operational risk
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Prepayment risk
Prepayment risk is the risk that the group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The group is not significantly exposed to prepayment risk.

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20. CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize 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 2009 and 31 March 2008.

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 less than 100%. The group includes within net debt, Islamic borrowings less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less cumulative changes in fair values.

	2009 KD	2008 KD
Islamic financing payables	**5,006,502**	13,401,353
Less: Cash and bank balances	**(4,933,331)**	(13,254,920)
Net debt	**73,171**	146,433
Total equity	**26,659,824**	33,384,467
Total Equity and net debt	**26,732,995**	33,530,900
Gearing ratio	**0.27%**	0.44%