2009 2010

ANNUAL REPORT

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

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

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Board of Directors

Board of Directors:

Mr. Issam Zaid Al-Tawari	*Chairman & Managing Director*
Mr. Ahmad A. Al-Bahar	*Vice Chairman*
Mr. Meshari M. Al-Judaimi	*Member*
Mr. Moustafa I. El-Gohary	*Member*
Mr. Nasser A. Al-Qahtani	*Member*
Mr. Osama F. Al-Bannay	*Member*
Mr. Othman I. Al-Askar	*Member*

Shariah Supervisory Board

Sh./Dr. AbdulSattar A. AbuGhudah	*Chairman*
Sh./Dr. Issa Zaki	*Member*
Sh. AbdulSattar A. Al-Kattan	*Member*

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

Chairman's Statement

Introduction

On behalf of myself and the respected board of directors at Rasameel, allow me to welcome you to our 4th Annual General Meeting. I would like to take this opportunity to express my sincere gratitude to all of those who have stood with us and supported us in our past endeavours. Today, I present to you Rasameel's Annual Report, along with the Auditor's Report, the Annual Financial Statements, and the Shariah Supervisory Board's Report.

As you all know, the GCC financial sector suffered heavily in 2009. The region lost many investors due to Sukuk defaults; as a result, financial results were disappointing, to say the least. Our regulators' calls to increase debt provisions were a result of asset impairments as well as a way to provision against bad financings. The results were noticeable: GCC banks reduced debt activities through Sukuk and bond purchases and client financings as the total Sukuk issuances have dropped from its peak in 2007 of US$ 34 bn to US$ 16.2 bn in 2009. The pace of the decline in assets slowed down by the end of the year, but we have yet to experience a sustained "bounce back" of the market as of the last quarter of 2009. However, Rasameel has weathered this crisis with a balance sheet, strong liquidity position, and good reputation all intact. Even during the most difficult times Rasameel continued to prioritize the interests of shareholders and clients above all else.
Let us look at the numbers. The net loss for 2009-2010 amounted to KD 2,127,268 against a net loss of KD 6,806,099. Whereas the loss per share was, 7.1 fils compared to the loss per share in 2008-2009 of 22.7 fils. This was mainly due to provisions against asset value impairment. As for total assets, we see a decrease of 13.3%, from KD 36,161,071 to KD 31,364,314. Moving on to total liabilities, which in 2009-2010 decreased by 28.8% to KD 6,768,177 from KD 9,501,247. Finally, total shareholders' equity decreased by 7.7% to KD 24,596,137 from KD 26,659,824.

Despite the reported net loss in the year 2009-2010, Rasameel continues to have net assets and positive equity of KD 24.6 million and a book value of 82 fils per share. The company enjoys healthy cash bank balances of KD 11.4 million as at end of fiscal 2010, or 46.3%, of its equity in order to meet any obligations and take advantage of business opportunities, especially in regards to a drying debt market. Rasameel is not significantly leveraged; its borrowings constitute only 18.1% of its total assets. Nevertheless, the company has a solid financial position where its current assets cover 3.7 times its current liabilities.

We at Rasameel have spent the first half of the year focusing on cost reduction efforts by consolidating the front office, operations, and expenses. Thankfully, Rasameel was able to reduce its overhead by 29% during the fiscal year of 2010 to KD 2,016,966. This was accomplished by working on reducing our operating costs as well as consolidating our regional expansion and focusing our energies between the Kuwait and Dubai offices. Our target is to continue reduction in our overhead costs up to 20% for the fiscal year of 2010-11.

Achievements

During the year 2010, Rasameel was actively seeking business opportunities in distressed sellers markets and managed to invest in the secondary Sukuk market in the region. Rasameel also managed to recover Wakala investments of KD 9 million and settled various payments with local investment companies.

We also managed to adapt to market conditions and focus the company primarily on our clients' needs. We have revisited the Rasameel business model to be tuned with the market's dynamics. This will enable us to cope with the market's supply and demand aspect, changes in growth diversity, while remaining in line with global, economical, and political influences.

Future Market Outlook

Here at Rasameel, our capabilities and skills are geared to assist our clients in the GCC by offering financial advice and structuring solutions that focus on the infrastructure, education, health and real estate sectors. In order to achieve our objectives, our value proposition is focused on offering structured products, fund and portfolio management, advisory services and the acquisition of income-generating assets. Rasameel's primary target markets are sovereign and quasi-sovereign corporations and financial institutions. Our only security is our ability to adapt to market-changing conditions and make the best of any situation.

On behalf of Rasameel, I would like to extend my appreciation to our esteemed Board of Directors, praiseworthy Scholars, Chairman and Members of the Supervisory Board, Company Shareholders and the Staff Members. May Allah grant His blessing upon us all.

Issam Al Tawari
Chairman & Managing Director

Shariah 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 2010. We have performed the review necessary to present an opinion regarding whether the company have abided by the provisions of the Islamic Shariah 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 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 2010, which have been reviewed by us, were performed in accordance with the provisions of the Islamic Shariah.
2. The company did not realize any gains from resources or through any means that are prohibited under the Islamic Shariah principles.
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
Head of Shariah Supervisory Board

Sheikh/Dr. Essa Zaki
Board Member

Sheikh Abdul Sattar Al-Qattan
Board Member

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RASAMEEL STRUCTURED FINANCE COMPANY K.S.C. (CLOSED)

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 2010 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility

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 2010 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 March 2010 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 2010.

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

12 May 2010
Kuwait

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 March 2010

	Notes	2010 KD	2009 KD
Arrangement and advisory fees		**78,584**	445,310
Finance income	3	**568,862**	1,846,529
Investment income (loss)	4	**793,263**	(2,359,394)
Shares of results of an associate	10	**(10,889)**	(79,593)
Investment properties loss	5	**(766,500)**	(1,517,180)
General and administrative expenses		**(2,016,966)**	(2,829,180)
Professional and legal fees		**(357,963)**	(117,432)
Finance costs		**(242,209)**	(359,921)
Other (loss) income		**(110,551)**	79,930
Impairment losses on Islamic financing receivables, net	7	**(62,006)**	(1,715,168)
Impairment losses on available for sale investments		**-**	(200,000)
LOSS BEFORE CONTRIBUTION TO KFAS AND ZAKAT		**(2,126,375)**	(6,806,099)
Contribution to KFAS		**(385)**	-
Zakat		**(508)**	-
LOSS FOR THE YEAR		**(2,127,268)**	(6,806,099)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	2010 KD	2009 KD
Loss for the year	**(2,127,268)**	(6,806,099)
Other comprehensive income		
Change in fair value of available for sale investments	-	(200,000)
Impairment losses on available for sale investments	-	200,000
Foreign currency translation adjustment	**63,581**	81,456
Other comprehensive income for the year	**63,581**	81,456
Total comprehensive loss for the year	**(2,063,687)**	(6,724,643)

The attached notes 1 to 21 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 KD	2009 KD
ASSETS			
Cash and cash equivalents	6	**11,408,536**	4,933,331
Other assets		**519,341**	257,927
Islamic financing receivables	7	**9,633,324**	15,723,976
Investments at fair value through statement of income	8	**641,586**	1,293,000
Available for sale investments	9	**3,427,324**	2,872,324
Investment in an associate	10	**656,083**	666,972
Investment properties	11	**3,829,541**	7,820,292
Held to maturity investments	12	**1,203,072**	2,431,321
Furniture and equipment		**45,507**	161,928
TOTAL ASSETS		**31,364,314**	36,161,071
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		**145,037**	81,456
Accumulated deficit		**(5,900,893)**	(3,773,625)
Total equity		**24,596,137**	26,659,824
Liabilities			
Islamic financing payables	15	**5,664,435**	5,006,502
Other liabilities	16	**1,103,742**	4,494,745
Total liabilities		**6,768,177**	9,501,247
TOTAL EQUITY AND LIABILITIES		**31,364,314**	36,161,071

Issam Zaid Al-Tawari
Chairman & Managing Director

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	2010 KD	2009 KD
OPERATING ACTIVITIES			
Loss for the year		**(2,127,268)**	(6,806,099)
Adjustments for:			
Income from held to maturity investments	4	**(317,424)**	(217,002)
Dividend income	4	**(8,750)**	(97,745)
Unrealized loss on revaluation of investment properties	5	**766,500**	1,557,225
Impairment losses on available for sale investments		**-**	200,000
Share of results of an associate	10	**10,889**	79,593
Realized gain on sale of investment properties		**-**	(40,045)
Impairment losses on Islamic financing receivables		**62,006**	1,715,168
Depreciation		**122,090**	110,474
Finance costs		**242,209**	359,921
Employees' end of service benefits		**151,652**	137,157
		(1,098,096)	(3,001,352)
Changes in operating assets and liabilities:			
Islamic financing receivables		**5,388,648**	6,855,500
Investments at fair value through statement of income		**651,414**	1,603,330
Other assets		**(387,167)**	728,947
Other liabilities		**328,673**	4,139,434
Cash from operations		**4,883,472**	10,325,859
Employees' end of service benefits paid		**(23,358)**	(53,694)
Net cash from operating activities		**4,860,114**	10,272,165
INVESTING ACTIVITIES			
Purchase of available for sale investments		**(105,000)**	(712,549)
Additions to investment in an associate		**-**	(18,787)
Additions to investment properties		**-**	(9,228,017)
Proceed from sale of investment properties		**-**	1,272,757
Acquisition of held to maturity investments		**-**	(1,227,410)
Proceeds from maturity of held to maturity investments		**1,627,962**	-
Additions to furniture and equipment		**(3,755)**	(48,940)
Saving accounts income received		**33,052**	28,226
Dividend received		**8,750**	95,738
Net cash from (used in) investing activities		**1,561,009**	(9,838,983)
FINANCING ACTIVITIES			
Net movement in Islamic financing payables		**54,082**	(8,754,771)
Net cash from (used in) financing activities		**54,082**	(8,754,771)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,475,205**	(8,321,589)
Cash and cash equivalents at the beginning of the year		**4,933,331**	13,254,920
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	**11,408,536**	4,933,331

The attached notes 1 to 21 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 2010

	Share capital KD	*Statutory reserve KD*	*Share options reserve KD*	*Foreign currency reserve KD*	*Accumulated deficit KD*	*Total KD*
At 1 April 2009	30,000,000	344,483	7,510	81,456	(3,773,625)	26,659,824
Loss for the year	-	-	-	-	(2,127,268)	(2,127,268)
Other comprehensive income for the year	-	-	-	63,581	-	63,581
Total comprehensive loss for the year	-	-	-	63,581	(2,127,268)	(2,063,687)
At 31 March 2010	**30,000,000**	**344,483**	**7,510**	**145,037**	**(5,900,893)**	**24,596,137**
At 1 April 2008	30,000,000	344,483	7,510	-	3,032,474	33,384,467
Loss for the year	-	-	-	-	(6,806,099)	(6,806,099)
Other comprehensive income for the year	-	-	-	81,456	-	81,456
Total comprehensive income 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

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 2010 were authorized for issuance in accordance with a resolution of the parent company's board of directors on 12 May 2010 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 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 Kuwait in accordance with the provisions of the tolerant Shari'a,
- Providing and preparing studies and technical, economic and valuation consultancy,

All activities in the group are performed according to the instructions of the tolerant Islamic Shariah as approved by the Fatwa and Shari'a Supervisory Board of the parent company.

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'a, as approved by the parent company's Fatwa and Sharia'a 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

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) 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.

Basis of preparation
The consolidated financial statements have been presented in Kuwaiti Dinars, which is the parent company's functional currency.

The consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of investments at fair value through statement of income, investment properties and available for sale investments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in preparation of the consolidated financial statements are consistent with those used in the preparation of the prior year's financial statements with the exception of the newly adopted policies in respect of recently issued or revised standards becoming effective for annual periods beginning on or after 1 January 2009.

During the year, the group has adopted the following amended standards effective for the annual periods beginning on or after 1 January 2009.

- IFRS 2 Share Based Payment (Revised)
- IFRS 7 Financial Instruments: Disclosures (Amended)
- IAS 1 Presentation of Financial Statements (Revised)
- IAS 23 Finance costs (Revised)
- Improvements to IFRSs

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 did not have any material effect on the consolidated financial statements of the group.

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The fair value measurement disclosures are presented in Note 21.

IAS 1 Presentation of Financial Statements (Revised)
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 has elected to present two statements.

IAS 23 Finance Costs (Revised)
This standard will require the group to capitalize finance 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 statement of income. The application of the revised IAS 23 will not impact the consolidated financial statements as the group currently capitalizes eligible finance costs.

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)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 7 Financial Instruments: Disclosures
The amendment removed the reference to 'total finance income' as a component of finance costs. This had no impact to the accounting policy and financial position of the group as this policy was already applied.

IAS 10 Events after the reporting period
The amendment clarifies that dividends declared after the end of the reporting period are not obligations. This had no impact to accounting policy and financial position of the group as this was already applied.

IAS 16 Property, Plant and Equipment
The amendment replaces the term 'net selling price' with 'fair value less costs to sell'. The change in accounting policy did not impact the group's financial position.

IAS 27 Consolidated and Separate Financial statements
This amendment requires that any subsidiaries held in accordance with IAS 39 continue to be treated at that value when they meet the definition of held for sale. The change in accounting policy did not impact the group's financial position, as no subsidiaries meet the criteria under IFRS 5, and the group does not account for any subsidiaries at fair value on subsequent measurement.

IAS 28 Investment in associates
An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment has no impact on the group because this policy was already applied.

IAS 36 Impairment of Assets
When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the disclosures of the consolidated financial statements of the group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

IAS 40 Investment Properties' (Revised)
The improvements to IFRS project revised the scope of IAS 40 'Investment properties' such that property under construction or development for future use as an investment property is classified as investment property. Since the group follows 'fair value model', property under construction or development should be fair valued at each reporting date. If fair value cannot be reliably determined, property under construction or development will be measured at cost until such time as fair value can be determined or construction is complete. This change has resulted in classifying properties under development as investment properties as disclosed in Note 11.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised International Accounting Standards Board (IASB) Standards relevant to the group, issued, but not yet effective

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

- IFRS 3 Business Combinations (Revised)
- IAS 27 Consolidated and Separate Financial Statements (Revised)
- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)

IFRS 3: Business Combinations (Revised)
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after effective date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27: Consolidated and separate financial statements (Revised)
IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. 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. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IFRS 9: Financial Instruments: Classification and Measurement
The standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013, the standard will replace IAS 32 and IAS 39 upon its effective date. IFRS 9 establishes principles for the financial reporting of financial assets that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. The group is yet to assess the impact that this amendment is likely to have on the consolidated financial statements.

Adoption of other IASB Standards and IFRIC Interpretations will not have material effect on the financial performance, position or the consolidated financial statements of the group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries. Details of the primary material subsidiaries included in the consolidated financial statements are set out below:

Name of the company	*Country of incorporation*	*Effective interest in equity %*		*Principal activities*
		2010	2009	
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 Company W.L.L.	Kuwait	**100**	100	Consultancy services
Haikala Holding Company L.L.C.	Bahrain	**100**	100	General trading
Rasameel Consultancies and Studies Company K.S.C.C.	Kuwait	**100**	100	Consultancy services
Rasameel Structured Finance – Bahrain Company B.S.C. (Closed)	Bahrain	**100**	100	Investment business
Rasameel Global Holding Company K.S.C.C.	Kuwait	**100**	100	General trading
Rasameel Structuring and General Trading Company W.L.L.	UAE	**100**	100	General trading
Rasameel Investment Bank Limited	UAE	**100**	100	Consultancy services & Investment

The financial statements of certain subsidiaries are prepared for the year ended 31 December 2009 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 these subsidiaries and 31 March 2010.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF 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 consumer financing is 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.

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.

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)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that 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.

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.

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 recognized on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Investments at fair value through statement of income
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 statement of income.

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 statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF 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 profit rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the consolidated statement of income 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 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 recognized 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 recognized 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 amortized 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 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 statement of income 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Under the equity method, the investment in an associate is initially 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 statement of income 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 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, which reflects 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 derecognized 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 recognized in the consolidated statement of income in the year of disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The cost of equity-settled transactions is 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.

Islamic financing payables

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.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 deferred cumulative amount recognized in equity relating to the particular foreign associate is the recognized 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.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)

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 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.

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 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)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

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.

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

3. FINANCE INCOME

	2010 KD	2009 KD
Consumer financing	**550,481**	916,529
Tawarruq	**18,381**	930,000
	568,862	1,846,529

4. INVESTMENT INCOME (LOSS)

	2010 KD	2009 KD
Unrealized loss on investments at fair value through statement of income	**(15,577)**	(1,395,907)
Realized gain (loss) on sale of investments at fair value through statement of income	**370,680**	(1,306,772)
Income from held to maturity investments	**317,424**	217,002
Income from saving accounts	**111,986**	28,538
Dividend income	**8,750**	97,745
	793,263	(2,359,394)

5. INVESTMENT PROPERTIES

	2010 KD	2009 KD
Gain on sale of investment properties	-	40,045
Unrealized loss on revaluation of investment properties (Note 11)	**(766,500)**	(1,557,225)
	(766,500)	(1,517,180)

6. CASH AND CASH EQUIVALENTS

	2010 KD	2009 KD
Cash and bank balances	**3,316,911**	4,933,331
Investment deposits	**8,091,625**	-
	11,408,536	4,933,331

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 investment; and hence, classified as cash and cash equivalents in the statement of financial position.

Investment deposits carry an average rate of profit of approximately 1.16% per annum.

7. ISLAMIC FINANCING RECEIVABLES

	Consumer financing KD	Tawarruq KD	Total KD
At 31 March 2010			
Gross amount	**5,776,199**	**6,725,818**	**12,502,017**
Less: deferred income	**(561,629)**	**(45,000)**	**(606,629)**
	5,214,570	**6,680,818**	**11,895,388**
Less: impairment losses:			
Specific provision	**(36,220)**	**(2,158,437)**	**(2,194,657)**
General provision	**(28,307)**	**(39,100)**	**(67,407)**
	5,150,043	**4,483,281**	**9,633,324**
At 31 March 2009			
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

7. ISLAMIC FINANCING RECEIVABLES (continued)

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

	General		Specific		Total	
	2010	2009	**2010**	2009	**2010**	2009
	KD	KD	**KD**	KD	**KD**	KD
At the beginning of the year	**179,240**	484,890	**2,020,818**	-	**2,200,058**	484,890
Provided during the year	**-**	-	**173,839**	2,020,818	**173,839**	2,020,818
Provision no longer required	**(111,833)**	(305,650)	**-**	-	**(111,833)**	(305,650)
At the end of the year	**67,407**	179,240	**2,194,657**	2,020,818	**2,262,064**	2,200,058

Consumer finance receivables represent a portfolio that was purchased from a major shareholder in 2007, who carried on managing it on behalf of the company. On 31 March 2010, the portfolio manager has provided hedge for the non-performing clients' balances up to 10% of the outstanding balance of the portfolio with maximum amount of KD 1,419,700, as the consumer finance balances that were provided for amounted KD 1,489,849 as at 31 March 2010. This forced the company to make a specific provision for that difference in accordance with CBK instruction in this regard.

The average profit rate attributable to consumer financing receivables is 8.5% (2009: 8.5%) per annum.

The average profit rate attributable to tawarruq receivables is 9.45% (2009: 9.45%) per annum.

The fair values of consumer financing 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 financial position date.

8. INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2010	2009
	KD	KD
Quoted equity securities	**641,586**	1,293,000

9. AVAILABLE FOR SALE INVESTMENTS

	2010	2009
	KD	KD
Unquoted securities	**3,427,324**	2,872,324

Unquoted securities represent the group's holding in certain entities for which the realizable fair market values are not available on a regular basis; as such, these investments are carried at cost. The parent company's management has performed a review to assess whether impairment has occurred in the value of these investments. Based on specific information available in respect of these investments and their operations, the parent company's management is of the view that these investments have not suffered any impairment.

10. INVESTMENT IN AN ASSOCIATE

	2010 KD	2009 KD
At the beginning of the year	**666,972**	727,778
Additions during the year	**-**	18,787
Share of results	**(10,889)**	(79,593)
At the end of the year	**656,083**	666,972

Details of the associate are set out below:

Name of company	*Country of incorporation*	Effective interest in equity % **2010**	Effective interest in equity % 2009	*Principal activities*
The Muharraq Mall Company L.L.C.	Bahrain	**45%**	45%	Commercial complex services

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

	2010 KD	2009 KD
Share of the associate's statement of financial position		
Assets	**876,927**	516,526
Liabilities	**433,901**	62,611
Net assets	**443,026**	453,915
Goodwill included in the carrying amount	**213,057**	213,057
	656,083	666,972

11. INVESTMENT PROPERTIES

	2010 KD	2009 KD
At the beginning of the year	**7,820,292**	1,382,212
Additions	**190,000**	9,228,017
Disposals	**-**	(1,232,712)
Reduction of property and its related liability as a result of a settlement agreement	**(3,414,251)**	-
Unrealized loss on revaluation (Note 5)	**(766,500)**	(1,557,225)
At the end of the year	**3,829,541**	7,820,292

Investment properties are categorized into:

	2010 KD	2009 KD
Properties under development	**2,506,101**	6,686,852
Developed properties	**1,323,440**	1,133,440
	3,829,541	7,820,292

During the year ended 31 March 2010, the parent company entered into a settlement agreement with a real estate developer in United Arab Emirates to amicably amend the original purchase agreement. Based on the amended agreement, the investment property and the related liability have been decreased by KD 3,414,251. The amendment of this agreement has resulted in an unrealized gain on revaluation of KD 290,796.

12. HELD TO MATURITY INVESTMENTS

Held to maturity investments represent investments in sukuk acquired in 2006 and will be matured in 2011. The profit rate attributable to these sukuk is 2% per annum above LIBOR rate (2009: 2% per annum above LIBOR rate) payable semi annually.

During the year, investment in sukuk amounting to KD 1,217,848 was matured and collected in full.

13. SHARE CAPITAL

The authorized, issued and fully paid up share capital as of 31 March 2010 comprised 300,000,000 shares of 100 fils each (31 March 2009: 300,000,000 shares of 100 fils each).

14. STATUTORY RESERVE

As required by the Law of Commercial Companies and the parent company's articles of association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences and Zakat has to be transferred to statutory reserve. No transfer has been made during the year as the group has reported net loss.

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.

15. ISLAMIC FINANCING PAYABLES

	Ijara *KD*	*Tawarruq* *KD*	*Wakala* *KD*	*Total* *KD*
At 31 March 2010				
Gross amount	**2,286,416**	**3,201,945**	**334,482**	**5,822,843**
Less: deferred profit payable	**-**	**(136,479)**	**(21,929)**	**(158,408)**
	2,286,416	**3,065,466**	**312,553**	**5,664,435**
At 31 March 2009				
Gross amount	1,924,762	3,127,151	-	5,051,913
Less: deferred profit payable	-	(45,411)	-	(45,411)
	1,924,762	3,081,740	-	5,006,502

Ijara payables represent amount payable on a deferred settlement basis relating to the financing of a property under development in the United Arab Emirates (Note 11).

Tawarruq payables represent tawarruq contract with an unrelated party maturing within 9 months from the financial position date. Tawarruq payables carry an average rate of profit payable of approximately 6.7% (2009: 8.5%) per annum.

Wakala payables represent agency contract that will mature in 2012. Wakala payables carry an average rate of profit payable of approximately 6.25% (2009: Nil) per annum.

16. OTHER LIABILITIES

	2010 KD	2009 KD
Payable for properties under development	**388,950**	4,061,745
Other liabilities and accruals	**714,792**	433,000
	1,103,742	4,494,745

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

	Major shareholders KD	*Other related parties* KD	**2010** KD	2009 KD
Consolidated statement of income				
Finance income	550,481	-	**550,481**	953,074
Realized loss on sale of investments at fair value through statement of income	-	-	**-**	(260,882)
Dividend income	-	-	**-**	31,691
Consolidated statement of financial position				
Amount due from related party	-	345,208	**345,208**	-
Islamic financing receivables	7,235,388	-	**7,235,388**	9,990,495
Islamic financing receivables – specific provision	2,194,657	-	**2,194,657**	(2,020,818)
Key management compensation				
Short-term benefits			**397,297**	492,345
Provision for management executive bonus			**46,664**	58,664
End of service benefits			**77,259**	88,703
			521,220	639,712

18. FIDUCIARY ASSETS

The group manages accounts on behalf of others which are not reflected in the group's consolidated statement of financial position amounting to KD 19,732,535 as at 31 March 2010 (2009: KD 54,920,747).

The total income earned from fiduciary activities during the year ended 31 March 2010 amounted to KD 23,402 (31 March 2009: KD 12,525).

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.

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 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 Kuwait.

19. RISK MANAGEMENT (continued)

Credit risk (continued)

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

	Gross maximum exposure 2010 KD	*Gross maximum exposure 2009 KD*
Cash and cash equivalents	**11,408,536**	4,933,331
Other assets	**519,341**	251,273
Islamic financing receivables	**9,633,324**	19,041,309
Held to maturity investments	**1,203,072**	2,431,321
	22,764,273	26,657,234

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

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

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

19. RISK MANAGEMENT (continued)

Credit risk (continued)

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 KD	*Past due or impaired KD*	*Total KD*
At 31 March 2010			
Islamic financing receivables			
Consumer financing	**5,150,043**	**-**	**5,150,043**
Tawarruq	**600,000**	**3,883,281**	**4,483,281**
	5,750,043	**3,883,281**	**9,633,324**
At 31 March 2009			
Islamic financing receivables			
Consumer financing	7,889,980	-	7,889,980
Tawarruq	825,156	7,008,840	7,833,996
	8,715,136	7,008,840	15,723,976

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

19. RISK MANAGEMENT (continued)

Credit risk (continued)

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:

	2010	*2009*
	KD	*KD*
Banks and financial institutions	**19,799,011**	16,769,391
Construction and real estate	**10,196,677**	14,523,925
Other	**1,368,626**	4,867,755
	31,364,314	36,161,071

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.

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.

19. RISK MANAGEMENT (continued)

Liquidity risk (continued)

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 KD	*3 to 12 months KD*	*Over one year KD*	*Total KD*
At 31 March 2010				
Islamic financing payables	**-**	**3,201,945**	**2,620,898**	**5,822,843**
Other liabilities	**168,293**	**525,118**	**410,331**	**1,103,742**
	168,293	**3,727,063**	**3,031,229**	**6,926,585**
At 31 March 2009				
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
	3,190,440	5,130,542	1,225,676	9,546,658

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.

Profit rate risk

Profit rate 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 profit rate risk, consist primarily of Islamic financing receivables, held to maturity investments and Islamic financing payables.

The group is not exposed to significant profit rate 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.

19. RISK MANAGEMENT (continued)

Market risk (continued)
Currency risk (continued)
The group had the following net foreign currency exposures at 31 March:

	2010 KD	*2009 KD*
US Dollar	**4,401,935**	5,604,447
UAE Dirham	**2,543,208**	2,574,301
Saudi Riyal	**339,500**	149,500
Bahraini Dinar	**4,181,486**	3,891,156

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

	31 March 2010			*31 March 2009*		
Currency	**Change in currency rate %**	**Effect on loss KD**	**Effect on other comprehensive income KD**	*Change in currency rate %*	*Effect on loss KD*	*Effect on other comprehensive income KD*
US Dollar	**+5**	**135,398**	**84,699**	+5	203,529	76,693
UAE Dirham	**+5**	**127,160**	**-**	+5	128,715	-
Saudi Riyal	**+5**	**16,975**	**-**	+5	7,475	-
Bahraini Dinar	**+5**	**131,127**	**77,947**	+5	58,624	135,934

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

	31 March 2010			*31 March 2009*		
Market indices	**Change in equity price**	**Effect on other comprehensive income**	**Effect on loss**	*Change in equity price*	*Effect on other comprehensive income*	*Effect on loss*
Kuwait	**+5**	**56,442**	**32,079**	+5	51,192	64,650
Others	**+5**	**114,924**	**-**	+5	97,992	-

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

19. RISK MANAGEMENT (continued)

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.

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 2010 and 31 March 2009.

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 financing payables less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent company less cumulative changes in fair values.

	2010	*2009*
	KD	*KD*
Islamic financing payables	**5,664,435**	5,006,502
Less: Cash and cash equivalents	**(11,408,536)**	(4,933,331)
Net debt	**-**	73,171
Total capital	**24,596,137**	26,659,824
Capital and net debt	**18,852,036**	26,732,995
Gearing ratio	**Nil**	0.27%

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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; 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 2010:

	Level 1	*Level 2*	*Level 3*	*Total*
	KD	*KD*	*KD*	*KD*
Investments at fair value through statement of income				
Quoted equity securities (Note 8)	641,586	-	-	641,586
	641,586	**-**	**-**	**641,586**

Following the amendments to IFRS 7, the group is exempted from disclosing comparative information.

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