2010 2011

Annual Report

RASAMEEL

Structured Finance Co.(K.S.C.C)

رساميل 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 have opened out to them (All kinds of)
blessings from heaven and earth...”

Surat Al-E’raf verses 96

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

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

Our only **Security** is our **Ability to Change**

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Board of Directors

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

You can't change the wind,
but you can **adjust**
your direction

Chairman's Statement 2011

In the name of Allah
the Most gracious the Most Merciful, Praise be to Allah, prayers and peace be upon the Master of Messenger, our Prophet Muhammad Al-Ameen and his family and companions.

At the outset and on behalf of myself and the esteemed Board of Directors of Rasameel Structured Finance Company, I would like to take this opportunity to express my sincere appreciation and gratitude to all those who have stood by our side and supported the Company during the past challenging period.

Today, I present to you Rasameel's Annual Report along with the Auditor's Report, the Annual Financial Statements, and the Sharia'h Supervisory Board's Report. I would like to highlight that the GCC region (Kuwait in particular) is still feeling the effects of the economic recession. Also, the general decline in liquidity in the investment and finance sectors has affected the Kuwaiti economy despite the official aspirations to boost the economy with spending on development projects which in turn had suffered due to the ongoing parliamentary and government exchanges. Additionally the prolonged restructuring of the defaulted sukuks in the market had further caused the decline in corporate sukuk issuances in the Gulf region.

In the face of these challenges, Rasameel continued to work around the turbulent market, re-aligning its business model to the requirements of the market to protect the value of Rasameel's shares to its shareholders.

The Company continues to have a strong balance sheet relative to other investment companies in Kuwait. In and this reflected strongly in the Company's financial position in terms of the availability of cash. The Company succeeded in collecting a large proportion of its financing from a group of companies and investment agencies and holds about KD5.7 million cash to meet its financial commitments to a number of existing and new projects of about KD2.5 million. The Company has cash that covers 172% of the total obligations to third parties.

Change starts when someone sees the next step

Chairman's Statement 2011

The income statement has been reflected in a net loss of KD0.564 million as of the fiscal year 2010-2011 (net loss of 1.9 fils per share) compared to net loss of KD2.1 million as for the 2009-2010 fiscal year (net loss of 7.1 fils per share.

This is mainly due to a reduction in general and administrative expenses by 34% during the fiscal year 2010-2011 to KD1.3 million compared with KD2.01 million for the fiscal year 2009-2010.

The financial statements show a decrease in total assets by 13.0% and attributed the decline to a decrease in the value of certain assets. Liabilities declined by 51.2% resulting from the repayment to Kuwait Finance House of about KD3 million.

Despite the reported net loss in the fiscal year 2010-2011, Rasameel maintains positive net assets and equity position of KD24 million and a book value of 80 fils per share. The Company enjoys a healthy cash position of KD5.7 million as at end of fiscal year 2011, or approximately 23.7% of its equity, in order to meet any financial obligations and take advantage of funding business opportunities on its own given the scarcity of liquidity in the market. Rasameel is not significantly leveraged; its borrowings constitute only 9.3% of its total assets. Nevertheless, the Company has a solid financial position where its current assets cover 13 times its current liabilities.

Over the 2010-2011 period, we focused on cost reduction efforts by consolidating the front office and operations units. This was accomplished by working on reducing our operating costs as well as consolidating our regional expansion and focusing our energies on our offices in Kuwait and Dubai.

Achievements

By the Grace of God, and with the efforts of its employees, one of the most important achievements of Rasameel in 2011 was a to secure a mandate with one of the largest retail companies in Kuwait to structure a short term line of credit of up to KD15 million to provide consumer finance. The Company also arranged a Murabaha financing of KD4 million to Mashaer Holding Company and this financing was paid back ahead of time. The Company was also able to successfully sign with one of the largest car companies in the Kingdom of Saudi Arabia for a SAR105 million capital raising exercise for an automobile financing company. Additionally, Rasameel has arranged a financing facility of BD8 million for the Muharraq Mall project in the Kingdom of Bahrain.

Through Rasameel Investment Bank, Rasameel was able to market and co- arrange the GBP20 million capital rising for the Islamic Bank of Britain, in addition to being the investment advisor for Juman Village Residential Project in Saudi Arabia - a project which was successfully completed.

You miss 100% of the shots you don't take

In an effort to restructure the Company's operations, a real estate shareholding company was acquired where its main function is to hold the real estate assets of the Company.

The Company continued its policy of diligently reviewing expenses, which had led to the reconsideration of the regional growth plan and instead, we have directed our attention to a new business model that gives Rasameel a clear and focused strategy and positions it as a main player in the Debt Capital Market by focusing on arrangement of income generating assets in the GCC. Moreover, the Company's internal policies and procedures have been adopted to ensure proper corporate governance.

Corporate social responsibility for Rasameel remains a key initiative, as it has worked in cooperation with the British Council and the Environment Public Authority to sponsor an environmental awareness campaign targeting Jal Al-Zoor Area, which attracted over 300 participants. Furthermore, the Company sponsored various philanthropic and educational projects in Kuwait. The Company also offered summer internships to outstanding students.

The Shareholders Zakat calculation for the fiscal year ended 31/03/2011 was 1.4 fills per share (KD 140 per 100,000 shares).

Future Market Outlook

Here, at Rasameel, our capabilities and skills are geared to assist our clients in the GCC and in turn to return to profitability. We have been working together on controlling our expenses, reviewing the business model, emphasizing on the corporate governance principles and ensuring transparency in all our dealings. To respond to market challenges, we remain flexible and maintain a resilient financial position.

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

Issam Al Tawari

Chairman and 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 2011. 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 31st March 2011, 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

To improve is to change;

to be perfect

is to change often.

Tough times **never last**

but **tough people do**

Financial Results

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rasameel Structured Finance Company K.S.C. (Closed) ("the parent company") and its subsidiaries (collectively "the group"), which comprise the consolidated statement of financial position as at 31 March 2011 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on Other Legal and Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the articles of association have occurred during the year ended 31 March 2011 that might have had a material effect on the business of the parent company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violation of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the year ended 31 March 2011.

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

16 June 2011
Kuwait

	Notes	**2011 KD**	2010 KD
INCOME			
Arrangement and advisory fees		**345,108**	78,584
Finance income	3	**603,355**	568,862
Rental income		**300,341**	-
Investment (loss) income	4	**(119,311)**	793,263
Share of results of an associate	11	**(15,542)**	(10,889)
Unrealised gain (loss) on revaluation of investment properties	12	**360,724**	(766,500)
Foreign exchange gain (loss)		**19,664**	(115,903)
Other income		**39,111**	5,352
		1,533,450	552,769
EXPENSES AND IMPAIRMENT			
General and administrative expenses		**1,338,721**	2,016,966
Professional and legal fees		**220,187**	357,963
Finance costs		**151,110**	242,209
Impairment loss on available for sale investments	9	**308,755**	-
Impairment losses on Islamic financing receivables, net	6	**79,099**	62,006
		2,097,872	2,679,144
LOSS FOR THE YEAR BEFORE CONTRIBUTION TO KFAS AND ZAKAT		**(564,422)**	(2,126,375)
Contribution to KFAS		**-**	(385)
Zakat		**-**	(508)
LOSS FOR THE YEAR		**(564,422)**	(2,127,268)

	Notes	2011 KD	2010 KD
Loss for the year		**(564,422)**	(2,127,268)
Other comprehensive income:			
Investments available for sale:			
Realised loss on available for sale investments	4	**179,721**	-
Change in fair value of available for sale investments		**(451,133)**	-
Impairment loss on available for sale investments	9	**308,755**	
Foreign currency translation adjustment		**(89,610)**	63,581
Other comprehensive (loss) income for the year		**(52,267)**	63,581
Total comprehensive loss for the year		**(616,689)**	(2,063,687)

	Notes	**2011 KD**	2010 KD
ASSETS			
Cash and cash equivalents	5	**5,691,850**	11,408,536
Islamic financing receivables	6	**4,758,085**	9,633,324
Investments at fair value through statement of income	7	**1,401,452**	641,586
Other assets	8	**1,198,740**	519,341
Available for sale investments	9	**2,802,626**	3,427,324
Held to maturity investments	10	**866,143**	1,203,072
Investment in an associate	11	**640,541**	656,083
Investment properties	12	**9,861,502**	3,829,541
Furniture and equipment		**60,162**	45,507
TOTAL ASSETS		**27,281,101**	31,364,314
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
Cumulative changes in fair values		**37,343**	-
Foreign currency translation reserve		**55,427**	145,037
Accumulated deficit		**(6,465,315)**	(5,900,893)
Total equity		**23,979,448**	24,596,137
Liabilities			
Islamic finance payable	15	**2,530,355**	5,664,435
Other liabilities	16	**771,298**	1,103,742
Total liabilities		**3,301,653**	6,768,177
TOTAL EQUITY AND LIABILITIES		**27,281,101**	31,364,314

Issam Zaid Al-Tawari
Chairman & Managing Director

	Notes	**2011 KD**	2010 KD
OPERATING ACTIVITIES			
Loss for the year		**(564,422)**	(2,127,268)
Adjustments for:			
Realised loss on available for sale investments	4	**179,721**	-
Income from held to maturity investments	4	**(29,244)**	(317,424)
Dividend income	4	**(56,614)**	(8,750)
Share of results of an associate	11	**15,542**	10,889
Unrealised (gain) loss on revaluation of investment properties	12	**(360,724)**	766,500
Depreciation		**38,439**	122,090
Finance costs		**151,110**	242,209
Impairment loss on available for sale investments	9	**308,755**	-
Impairment losses on Islamic financing receivables, net	6	**79,099**	62,006
Employees' end of service benefits		**(27,635)**	151,652
		(265,973)	(1,098,096)
Changes in operating assets and liabilities:			
Islamic financing receivables		**886,140**	5,388,648
Investments at fair value through statement of income		**(759,866)**	651,414
Other assets		**(765,233)**	(387,167)
Other liabilities		**(255,079)**	328,673
Cash (used in) from operations		**(1,160,011)**	4,883,472
Employees' end of service benefits paid		**(49,732)**	(23,358)
Net cash (used in) from operating activities		**(1,209,743)**	4,860,114
INVESTING ACTIVITIES			
Purchase of available for sale investments		**-**	(105,000)
Proceeds from sale of available for sale investments		**173,566**	-
Additions and purchase of investment properties		**(1,610,419)**	-
Proceeds from held to maturity investments		**321,484**	1,627,962
Purchase of furniture and equipment		**(53,094)**	(3,755)
Saving accounts income received		**40,914**	33,052
Dividend received		**56,614**	8,750
Net cash (used in) from investing activities		**(1,070,935)**	1,561,009
FINANCING ACTIVITIES			
Net movement in Islamic finance payable		**(3,284,898)**	116,688
Finance costs paid		**(151,110)**	(62,606)
Net cash (used in) from financing activities		**(3,436,008)**	54,082
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(5,716,686)**	6,475,205
Cash and cash equivalents at the beginning of the year		**11,408,536**	4,933,331
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**5,691,850**	11,408,536

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

	Share capital KD	*Statutory reserve KD*	*Share options reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation reserve KD*	*Accumulated deficit KD*	*Total KD*
At 1 April 2010	30,000,000	344,483	7,510	-	145,037	(5,900,893)	24,596,137
Loss for the year	-	-	-	-	-	(564,422)	(564,422)
Other comprehensive income (loss) for the year	-	-	-	37,343	(89,610)	-	(52,267)
Total comprehensive income (loss) for the year	-	-	-	37,343	(89,610)	(564,422)	(616,689)
At 31 March 2011	**30,000,000**	**344,483**	**7,510**	**37,343**	**55,427**	**(6,465,315)**	**23,979,448**
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 income (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

1. INCORPORATION AND ACTIVITIES

The consolidated financial statements of Rasameel Structured Finance Company K.S.C. (Closed) ("the parent company") and Subsidiaries (collectively "the group") for the year ended 31 March 2011 were authorised for issuance in accordance with a resolution of the parent company's board of directors on 16 June 2011 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 regulated by the Central Bank of Kuwait and is engaged in the following activities:

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

The parent company is regulated by the Central Bank of Kuwait as a financing company. All activities are performed according to the instructions of the Islamic Sharea'a as approved by the Fatwa and Sharea'a Supervisory Board of the parent company.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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 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.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is also the functional currency of the parent company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in preparation of these consolidated financial statements are consistent with those used in the preparation of the prior year's consolidated financial statements with the exception of the newly adopted policies in respect of IFRS standards recently issued or revised by International Accounting Standards Board (IASB) and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) becoming effective for annual periods beginning on or after 1 January 2010.

During the year, the group has adopted the following revised and amended standards and interpretations effective for the annual periods beginning on or after 1 January 2010:

- IFRS 3 Business Combinations (Revised)
- IAS 27 Consolidated and Separate Financial Statements (Amended)
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 17 Distribution of Non-cash Assets to Owners
- Improvements to IFRSs (May 2008 and April 2009)

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

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 recognised, the reported results in the period that an acquisition occurs and future reported results.

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.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The group has concluded that the amendment will have no impact on the financial position or performance of the group, as the group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to members either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or the performance of the group.

Improvement to IFRSs (May 2008 and April 2009)

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments, relevant to the group, has resulted in changes to certain accounting polices but did not have any impact on the financial position or performance of the group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 7 Financial Instruments: Disclosures

The amendment removed the reference to 'total interest 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 7 Statement of Cash Flows

The standard states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

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 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.

Other amendments and improvements resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the group.

The changes in accounting policy were applied prospectively and had no material impact on the financial position or performance of the group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)
- IAS 24 Related Party Disclosures (Amendment)
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRSs (issued in May 2010)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the group after initial application.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the group.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The following amendments have not yet been adopted by the group as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements

The application of those standards and interpretations will be made in the consolidated financial statements of the group when these standards and interpretations become effective and are not expected to have a material impact on the financial position, performance or the consolidated financial statements of the group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BASIS OF CONSOLIDATION

Basis of consolidation from 31 March 2011

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries for the year ended 31 March 2011.

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

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

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

Basis of consolidation prior to 31 March 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 31 March 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interests had a binding obligation to cover these. Losses prior to 31 March 2010 were not reallocated between the non-controlling interests and the parent company's shareholders.
- Upon loss of control, the group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 31 March 2010 has not been restated.

Business combinations and goodwill

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BASIS OF CONSOLIDATION (continued)

Business combinations and goodwill (continued)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BASIS OF CONSOLIDATION (continued)

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

Name of the company	*Country of incorporation*	*Effective interest in equity %*		*Principal activities*
		2011	*2010*	
Rasameel Central Markets Company K.S.C.C.	Kuwait	**100**	100	General trading
Rasameel General Trading & Contracting Company W.L.L.	Kuwait	**100**	100	General trading and contracting
Rasameel Consultancies and Studies Company K.S.C.C.	Kuwait	**100**	100	Consultancy services
Rasameel Global Holding Company K.S.C.C.	Kuwait	**100**	100	General trading
Haikala for Economical Studies Company W.L.L.	Kuwait	**100**	100	Consultancy services
Rasameel Structured Finance Company – Bahrain B.S.C. (Closed)	Bahrain	**100**	100	Investment business
Haikala Holding Company W.L.L.	Bahrain	**100**	100	General trading
Rasameel Structuring and General Trading Company W.L.L.	UAE	**100**	100	General trading
Rasameel Investment Bank Limited	UAE	**100**	100	Consultancy services & investment business

During the year ended 31 March 2011, the group has consolidated the following new subsidiaries:

Name of the company	*Country of incorporation*	*Effective interest in equity %*		*Principal activities*
		2011	*2010*	
Al Anfal Al Arabiya General Trading & Contracting Company W.L.L.	Kuwait	**100**	-	General trading and contracting
Yathreb Al Khalijiya Group for Buildings General Contracting Company W.L.L.	Kuwait	**100**	-	General contracting

The recently consolidated subsidiary companies have not yet commenced their operations.

Certain subsidiaries financial year ends on 31 December 2010. Adjustments have been made for the effect of any significant event or transaction occurring in the months following the year end of these subsidiaries and 31 March 2011.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is recognised only to the extent of the expenses incurred that are recoverable. Revenue is measured at the fair value of the consideration received excluding discounts. The following specific recognition criteria must also be met before revenue is recognised:

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

Finance costs

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

KFAS and Zakat

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

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities

Initial recognition, measurement and derecognition

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

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

Subsequent measurement

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

Derecognition

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

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

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

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

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

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

Offsetting

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

Cash and cash equivalents

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Consumer financing receivables

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

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

Tawarruq receivables

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

Ijara receivables

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

Investments at fair value through statement of income

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

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

Available for sale investments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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 recognition held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortization using the effective profits method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment.

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

Impairment and uncollectibility of financial assets

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

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

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

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

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

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

Investment properties

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Share-based payment transactions

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

Equity-settled transactions

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Islamic finance payable

Ijara payables

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

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

Tawarruq payables

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

Wakala payables

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

Other liabilities

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

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 cumulative amount recognised in equity relating to the particular foreign associate is the recognised in consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fair values

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

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

Investments

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

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

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

Investment properties

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

Other financial assets and financial liabilities

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

Significant accounting judgments 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Classification of investments

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

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

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

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

All other investments are classified as available for sale.

Valuation of unquoted equity investments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Impairment losses on investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

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

Classification of real estate

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	2011 KD	2010 KD
Consumer financing	**342,995**	550,481
Tawarruq	**180,367**	18,381
Ijara	**79,993**	-
	603,355	568,862

4 INVESTMENT (LOSS) INCOME

	2011 KD	2010 KD
Unrealised loss on investments at fair value through statement of income	**(77,257)**	(15,577)
Realised (loss) gain on sale of investments at fair value through statement of income	**(73,914)**	370,680
Realised loss on available for sale investments	**(179,721)**	-
Income from held to maturity investments	**29,244**	317,424
Income from investment deposits and saving accounts	**125,723**	111,986
Dividend income	**56,614**	8,750
	(119,311)	793,263

5 CASH AND CASH EQUIVALENTS

	2011 KD	2010 KD
Cash and bank balances	**2,531,874**	3,316,911
Investment deposits	**3,159,976**	8,091,625
	5,691,850	11,408,536

Investment deposits represent amounts placed in investment accounts with local and foreign Islamic banks. Such deposits mature within 3 months from the date of the placements and are classified as cash and cash equivalents in the consolidated statement of financial position. Investment deposits carry an average rate of profit of approximately 1.83% (2010: 1.16%) per annum.

6 ISLAMIC FINANCING RECEIVABLES

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

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

	General		*Specific*		*Total*	
	2011 **KD**	2010 KD	**2011** **KD**	2010 KD	**2011** **KD**	2010 KD
At the beginning of the year	**67,407**	179,240	**2,194,657**	2,020,818	**2,262,064**	2,200,058
Provided during the year	**21,014**	-	**281,816**	173,839	**302,830**	173,839
Provision no longer required	**(37,511)**	(111,833)	**(186,220)**	-	**(223,731)**	(111,833)
At the end of the year	**50,910**	67,407	**2,290,253**	2,194,657	**2,341,163**	2,262,064

During the year ended 31 March 2011, the parent company has entered into an agreement with Islamic financing customers to amicably settle tawarruq receivables amounting to KD 3,910,000 and paid a cash amount of KD 1,590,000 against acquisition of an investment property with a fair market value of KD 5,500,000 at the date of the agreement (Note 12).

6 ISLAMIC FINANCING RECEIVABLES (continued)

Consumer financing receivables represent a portfolio that was purchased from a major shareholder in 2007, who continued to manage it on behalf of the parent company. The portfolio manager has guaranteed for any non-performing clients' balances up to 10% of the outstanding balance of the portfolio with maximum guaranteed amount of KD 1,419,700. Subsequent to the year end on 12 July 2011, the parent company has cancelled the current agreement and has signed a new agreement with a third party to manage this portfolio. The Company has reached a settlement agreement with the major shareholder by which the parties agreed on the final first loss coverage guarantee amount of KD 972,184. As at 31 March 2011, the non-performing clients' balances that were required to be provided for amounted to KD 1,254,000 which is greater than the guaranteed amount; therefore, the parent company in accordance with the Central Bank of Kuwait instructions, has recorded additional specific provision of KD 281,816 in the consolidated statement of income for the year ended 31 March 2011.

The average profit rate attributable to consumer financing receivables is 8.5% (2010: 8.5%) per annum.

The average profit rate attributable to tawarruq receivables is 12.2% (2010: 9.45%) per annum.

The average profit rate attributable to ijara receivables is 12.9% per annum.

The fair values of consumer financing, tawarruq and ijara 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 reporting date.

7 INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2011	2010
	KD	KD
Quoted equity securities	**1,401,452**	641,586

8 OTHER ASSETS

	2011	2010
	KD	KD
Accrued income	**332,624**	14,833
Staff receivable	**125,367**	131,360
Advance, deposit and prepayments	**304,635**	21,064
Amount due from a related party (note 17)	**380,641**	345,208
Others	**55,473**	6,876
	1,198,740	519,341

9 AVAILABLE FOR SALE INVESTMENTS

	2011	2010
	KD	KD
Unquoted securities	**2,802,626**	3,427,324

As at 31 March 2011, financial assets available for sale amounting to KD 2,802,626 (2010: KD 3,427,324) are carried at cost, less impairment if any, due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these financial assets. There is no active market for these financial assets and the parent company intends to hold them for the long term. The parent company's management has performed a review to assess whether impairment has occurred in the value of these investments, and as a result, an impairment charge of KD 308,755 (2010: KD Nil) has been recognised in respect of certain financial assets available for sale for which there has been a significant or prolonged decline in fair value below cost.

10 HELD TO MATURITY INVESTMENTS

Held to maturity investments represent investments in sukuk purchased in 2006 and are maturing in 2011. The profit rate attributable to these sukuk is 2.5% (2010: 2.5%) per annum above LIBOR rate, receivable semi annually.

During the year, investment in sukuk amounting to KD 300,560 (2010: KD 1,310,538) was matured and collected in full.

11 INVESTMENT IN AN ASSOCIATE

	2011	*2010*
	KD	*KD*
At the beginning of the year	**656,083**	666,972
Share of results	**(15,542)**	(10,889)
At the end of the year	**640,541**	656,083

Details of the associate are set out below:

Name of company	*Country of incorporation*	*Effective interest in equity %* ***2011***	*2010*	*Principal activities*
The Muharraq Mall Company L.L.C.	Bahrain	**45**	45	Commercial complex services

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

	2011	*2010*
	KD	*KD*
Share of the associate's statement of financial position		
Assets	**1,104,007**	876,927
Liabilities	**676,523**	433,901
Net assets	**427,484**	443,026
Goodwill included in the carrying amount	**213,057**	213,057
	640,541	656,083
Share of the associate's statement of income		
Loss for the year	**15,542**	10,889

12 INVESTMENT PROPERTIES

	2011	*2010*
	KD	*KD*
At the beginning of the year	**3,829,541**	7,820,292
Additions	**171,237**	190,000
Investment properties received in settlement of financing receivables (note 6)	**5,500,000**	-
Reduction of property and its related liability as a result of a settlement agreement	**-**	(3,414,251)
Unrealised gain (loss) on revaluation	**360,724**	(766,500)
At the end of the year	**9,861,502**	3,829,541

12 INVESTMENT PROPERTIES (continued)

Investment properties are categorised into:

	2011 KD	2010 KD
Properties under development	**2,707,249**	2,506,101
Developed properties	**7,154,253**	1,323,440
	9,861,502	3,829,541

During the year ended 31 March 2011, the parent company has entered into an agreement with Islamic financing customers to amicably settle tawarruq receivables amounting to KD 3,910,000 and paid a cash amount of KD 1,590,000 against acquisition of an investment property with a fair market value of KD 5,500,000 at the date of the agreement (Note 6).

At 31 March 2011, the group's investment properties were revalued by an independent professionally qualified real estate valuer. The fair value of the properties has been determined based on comparable market values.

13 SHARE CAPITAL

At 31 March 2011 and 31 March 2010, the authorised, issued and fully paid up share capital comprise 300,000,000 shares of 100 fils each.

14 STATUTORY RESERVE

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

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

15 ISLAMIC FINANCE PAYABLE

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

	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

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

Wakala payables represent agency contract that will mature in 2012. Wakala payables carry an average rate of profit payable of approximately 6.25% (2010: 6.25%) per annum.

16 OTHER LIABILITIES

	2011 ***KD***	*2010* *KD*
Payable for properties under development	**177,740**	388,950
Employees' end of service benefits	**335,599**	412,966
Other liabilities and accruals	**257,959**	301,826
	771,298	1,103,742

During the year, the parent company's management has adjusted the calculation of the employees' end of service benefits in line with the requirements of the labor law, staff policies and terms of employment contracts, and as a result reversed excess provision of KD 134,891.

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	***2011*** ***KD***	*2010* *KD*
Consolidated statement of income				
Finance income	342,995	51,043	**394,038**	550,481
Consolidated statement of financial position				
Amount due from a related party (note 8)	-	380,641	**380,641**	345,208
Advance, deposit and prepayments	-	187,372	**187,372**	-
Islamic financing receivables	2,989,461	2,008,437	**4,997,898**	7,235,388
Islamic financing receivables – specific provision	281,816	2,008,437	**2,290,253**	2,194,657
Islamic financing receivables – general provision	29,896	-	**29,896**	29,896
Key management compensation				
Salaries and short-term benefits			**367,048**	397,297
Management executives' bonus			**-**	46,664
Employees' end of service benefits			**42,883**	77,259
			409,931	521,220

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 Nil as at 31 March 2011 (2010: KD 19,732,535).

The total income earned from fiduciary activities during the year ended 31 March 2011 amounted to KD Nil (2010: KD 23,402).

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 Board of Directors of the parent company are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

19.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

Maximum exposure to credit risk

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

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

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

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

	Gross maximum exposure	
	2011	*2010*
	KD	*KD*
Cash and cash equivalents (excluding cash in hand)	**5,689,850**	11,408,536
Islamic financing receivables, net of provisions	**4,758,085**	9,633,324
Held to maturity investments	**866,143**	1,203,072
Other assets	**894,105**	498,277
	12,208,183	22,743,209

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)

19.1 Credit risk (continued)

Credit quality for class of financial assets (continued)

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

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

At 31 March 2010			
Cash and cash equivalents	11,408,536	-	11,408,536
Islamic financing receivables			
Consumer financing	5,776,199	-	5,776,199
Tawarruq	4,567,381	2,158,437	6,725,818
Held to maturity investments	1,203,072	-	1,203,072
Other assets	214,706	-	214,706
	23,169,894	2,158,437	25,328,331

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

Credit quality of financial assets that are neither past due nor impaired

For Islamic financing receivables and other receivables, neither internal credit grading system nor external credit grades are used by the group.

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

Analysis of past due but not impaired

All the past due finance facilities are impaired. See Note 6 for more detailed information with respect to the impairment losses on Islamic financing receivables.

19 RISK MANAGEMENT (continued)

19.1 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 analysed by the industry sector as follows:

	2011 KD	*2010 KD*
Banks and financial institutions	**5,689,850**	11,408,536
Islamic financing	**4,758,085**	9,633,324
Financial investments	**866,143**	1,203,072
Others	**1,198,740**	519,341
	12,512,818	22,764,273

19.2 Liquidity risk

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

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

	1 to 3 months KD	*3 to 12 months KD*	*Over one year KD*	*Total KD*
At 31 March 2011				
Islamic finance payable	**-**	**187,532**	**2,342,823**	**2,530,355**
Other liabilities	**341,840**	**108,419**	**321,039**	**771,298**
	341,840	**295,951**	**2,663,862**	**3,301,653**
At 31 March 2010				
Islamic finance payable	-	3,348,895	2,473,948	5,822,843
Other liabilities	168,293	525,118	410,331	1,103,742
	168,293	3,874,013	2,884,279	6,926,585

19 RISK MANAGEMENT (continued)

19.3 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.

19.3.1 Profit rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The group is not exposed to significant interest rate risk as the group only uses Islamic financial instruments and the rates for these instruments are fixed.

19.3.2 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:

	2011 ***KD***	*2010* *KD*
US Dollar	**3,767,478**	4,401,935
UAE Dirham	**404,632**	132,158
Saudi Riyal	**6,403,728**	339,500
Bahraini Dinar	**4,029,822**	4,181,486

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 2011			*31 March 2010*		
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**	**68,590**	**76,476**	+5	135,398	84,699
UAE Dirham	**+5**	**20,232**	**-**	+5	127,160	-
Saudi Riyal	**+5**	**320,186**	**-**	+5	16,975	-
Bahraini Dinar	**+5**	**139,759**	**61,732**	+5	131,127	77,947

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

19 RISK MANAGEMENT (continued)

19.3 Market risk (continued)

19.3.3 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 2011			31 March 2010		
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	33,950	70,073	+5	56,442	32,079
Others	+5	106,181	-	+5	114,924	-

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

19.4 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.

19.5 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 maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

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

No changes were made in the objectives, policies or processes during the years end 31 March 2011 and 31 March 2010.

The group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group's policy is to keep the gearing ratio at the minimum level. The group includes within net debt, Islamic finance payable less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent company less cumulative changes in fair values.

20 CAPITAL MANAGEMENT (continued)

	2011 ***KD***	*2010* *KD*
Islamic finance payable	**2,530,355**	5,664,435
Less: Cash and cash equivalents	**(5,691,850)**	(11,408,536)
Net debt	**-**	-
Total capital	**23,979,448**	24,596,137
Capital and net debt	**23,979,448**	24,596,137
Gearing ratio	**Nil**	Nil

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. This level also includes items whose fair values have been provided by reputable external fund managers; and
- Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

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

At 31 March 2010				
Investments at fair value through statement of income				
Quoted equity securities (note 7)	641,586	-	-	641,586
	641,586	-	-	641,586

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