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

PURSUING ENDLESS POSSIBILITIES

ANNUAL REPORT 2014 - 2015

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OPPORTUNITY
IS GREATER
THAN RISK

THE SUM OF OUR SUCCESSES

BOARD OF DIRECTORS

Mr. Issam Zaid Al Tawari
Chairman & CEO

Mr. Ahmad A. Al-Bahar
Vice Chairman

Mrs. Hanan Y. A. Yousef
Member

Mr. Khalifa Abdullah Al-Rashid*
Member

Mr. Loay S. Al Swayan
Member

Mr. Moustafa I. El-Gohary
Member

Mr. Saad S. Al-Therban
Member

* **Mr. Meshari M. Al-Judaimi** till the 15th of June, 2014

SHARIAH SUPERVISORY BOARD

Sh./Dr. AbdulSattar A. AbuGhudah
Chairman

Sh. AbdulSattar A. Al-Kattan
Member

Sh./Dr. Issa Zaki
Member

Sh./Dr. Yousef Al-Sharrah
Member


INTEGRAL
TO OUR
SUCCESS

CHAIRMAN'S STATEMENT

Dear Shareholders,

On my behalf and on behalf of the esteemed Board Members of Rasameel Structured Finance, I would like to welcome you to the ninth annual meeting of the ordinary general assembly. Furthermore, on this occasion, I would like to take this opportunity to also sincerely thank those of our dignified (honorable) clients who gave us their trust and supported us through their cooperation with the company during the intervening period.

I am delighted to present to you the annual report of Rasameel, the auditors' report and the consolidated financial statements for the company and its subsidiaries for the financial year ending 31 March 2015, as well as the report of the members of the Shariah Supervisory Board.

During the year 2014, the health of the global Sukuk market was a reflection of the global economy's performance which showed a remarkable improvement, where upon the Sukuk market was buoyant with the large issues made by some sovereign issuers and the Basel 3 issues made by some Islamic financial institutions. Looking forward, the Sukuk market is expected to continue its growth with increased issues that may exceed USD 100 billion during the year 2015, whereby new issues expand to include new territories and additional sectors.

The requirements of infrastructure projects in the GCC, South Asia, Southeast Asia and Africa were among the main factors contributing to Sukuk issuances in those countries, where Sukuk played an essential role in financing those projects, whether governmental or privately sponsored. Also, the significant improvement of the US dollar during 2014 and, still continuing, had a remarkable positive impact on stabilizing the demand for dollar denominated Sukuk and increasing the breadth and volume of international transactions in the Sukuk market. Such demand is likely to impact best in major Sukuk issuer countries such as Malaysia. It is expected that the US dollar will remain the most preferred currency for issues in Indonesia, Turkey and the GCC countries.

Generally, the financial year 2014/2015 was characterized by positive activity on the part of Rasameel, where there were many acquisitions of prominent clients' financing portfolios that had then been securitized, in addition to the completion of several auto leasing financing deals. This culminated in positive results for the financial year, along with other positively contributing factors, including the appreciation of assets as a result of the rise in the US dollar that is associated with the region's currencies.

In light of the above mentioned, the below summary displays the results of the financial period ended on March 31, 2015:

Net profit for the year amounted to KD 1,394,504 (Net Profit 6.6 Fills per share) compared with Net profit of KD 25,107 (Net Profit 0.12 Fills per share) for the financial year 2013/2014.

The company's total assets increased to KD 25,967,572 as compared with total assets of KD 24,735,053 in the financial year 2013/2014, exhibiting an increase of 5%. With regard to shareholders equity, this increased to KD 22,654,246 as compared with total shareholders' equity of KD 21,060,893 in the fiscal year of 2013/2014, exhibiting an increase of 7.6%. Total revenues increased to KD 4,035,383 as compared with revenues of KD 2,856,773 for the fiscal year 2013/2014, exhibiting an increase of 41%. Book value per share amounted to 108 fills as of 31 March 2015 on the capital compared with 100 fills on 31 March 2014 on the capital after reduction. Total liabilities decreased to KD 3,313,326 as compared with total liabilities of KD 3,674,160 in the fiscal year 2013/2014, resulting in a 10% decrease.

Achievements

For the third consecutive year of Rasameel's five-year plan, the company is still achieving its sought after objectives. In particular, the results achieved during the current year 2014/2015 deserves a special mention as it exceeded all expectations in all aspects. Needless to say, abidance by the strict commitment to the implementation of the plan's provisions and procedures was a big challenge to the management and employees alike in terms of reducing costs and increasing the volume of profitable operations. Also, the company has managed to capitalize on the achievements of last year, where results mirrored the significant rise in revenues, net profits, assets and shareholders' equity, and the decrease in liabilities, all ultimately leading to the rise in earnings per share and share book value.

"Rasameel Auto Lease", a specialized company in car rental activities, has proven its ability to expand its market share and to continue acquiring more business in a very competitive market that is driven by the rapid and large increase in the number of car rental companies. During the financial year 2014/2015, the company signed many operating lease agreements with a number of companies and governmental entities, as well as increasing the number of the daily rental contracts to retail customers. As a result, the company's fleet grew from 700 vehicle in the fiscal year 2013/2014 to 850 vehicles during the current year. The company realized profit from selling some of the vehicles during the audit period which made positive impact on the bottom line.

CHAIRMAN'S STATEMENT

Structured Finance

During the financial year 2014/2015, Rasameel provided and arranged debt financing to three Kuwaiti companies in the auto leasing and financing sector and then securitized the financings through a program for sale to investors. In addition, Rasameel provided asset backed funding to a travel agency in Kuwait. Furthermore, Rasameel started 2015 proactively with the aim of broadening its product offering, extending its origination landscape and strengthening its alliances with key financial institutions. This strategy, proactivism and focus culminated in the successful award of three mandates for the upcoming financial year. Two of the mandates relate to the arranging of debt finance of USD 67 million for a logistics company and an auto financing company based in Kuwait, whilst the third relates to the raising of finance of USD 50 million for a Saudi investment company to support its expansion plans in the region. The business results from these transactions are expected to appear within the following financial year 2015/2016 upon successful closing of the transactions.

The entire work at Seef Muharraq Mall project adjacent to historic Arad Fort has been completed by the "Muhrraq Mall Company" in Bahrain. The mall was opened last February where its units have been let out entirely.

It is worth mentioning that the Seef Muharraq Mall has begun realizing operating profit from the first month of the mall's opening, turning it into an income generating investment, which in return will reflect positively on the asset's value.

Rasameel's investment in Hajar Tower holds promising potential of achieving substantial returns in the future, where the current construction expansion work of the Holy Mosque in Makkah, that is expected to continue for some time, is expected to have a positive impact on the investment returns from the tower.

Also, the management has worked on divesting the four plots of land in Al-Hidd area in the Kingdom of Bahrain, where three plots have been sold at profit during the last fiscal year, while the fourth plot has been sold subsequently.

The company was finally successful in an existing lawsuit, and therefore the provision of KD 1,105,872 which was taken during the past period has been reversed during the current year 2014/2015.

Specialized Quarterly Releases

In view of Rasameel's desire to attract investors and clients in the market and engage them, the company continues to strive on establishing itself as a reliable provider of Sukuk and securitization market intelligence to investors on a regular basis. This market intelligence encompasses the latest developments in the Sukuk and securitization market, the trends of the major debt market and the performance of secondary debt markets. This is propagated through its monthly newsletters and other publications, in addition to the specialized quarterly reports on the debt markets in the Middle East and North Africa region, as part of its campaign to educate the market in this area. Rasameel realizes such credibility through close contact with the many reliable regional and international information exchange companies.

Awards and Sponsorship

Award of Excellence at London SUKUK Summit 2014

For the fourth year in a row, Rasameel has won the London Sukuk Summit 2014 award of excellence as Best Islamic Structured Finance House in the GCC. London Sukuk Summit proved again as being the largest gathering of its kind for Sukuk professionals in the market, as it is still attracting more industry participants year after year and draws the attention of many governments interested in the Sukuk industry.

Rasameel Structured Finance team has qualified among other teams representing major Kuwaiti companies at the "Innovation Challenge Program", which was organized by KFAS and conducted at University of California Berkeley in the United States of America in March 2015, which reflected the great achievement of the Rasameel team members.

With the praise of Allah, the efforts and continuous support of the Board, shareholders, and employees, the company managed to achieve profits this year and engaged in executing considerable deal flow by virtue of management discipline and tactful exploration of opportunities. On this occasion, we are pleased to emphasize again our commitment to basic and professional integrity in managing the business in order to achieve the best possible results.

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

Issam Z. Al Tawari
Chairman & CEO

MULTIPLYING OUR POTENTIAL

SHARIAH SUPERVISORY BOARD'S REPORT

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

Dear Rasameel Structured Finance Company Shareholders,

According to decision of Rasameel Annual General Assembly instating the appointment of Shari'a Supervisory Board, and commissioning us to execute this decision, we submit the following report.

We have monitored the contracts that are related to transactions and implementations offered by the management during the fiscal year ending on 31st March, 2015, we have conducted due monitoring to form an opinion as to whether the management has complied with the Rules and Principles of Islamic Shari'a, as well as specific Fatwas, ruling and guidelines issued by us.

It is the management's responsibility to ensure that the management operates in accordance with the rules and principles of Islamic Shari'a. However, our responsibility is limited to form an independent opinion based on our review of the management operations and to report to you.

We have performed our review which included examination and documentation of procedures followed by the management. We have also planned and implemented our review in order to obtain all information and interpretations we deemed necessary for providing us with sufficient evidence to give reasonable assurances that the management have not violated Islamic Shari'a Rules and Principles.

In our opinion:

1. The contracts, operations and transactions made by the management during the year ending on 31st March 2015, were conducted in compliance with Islamic Shari'a Rules and Principles
2. The company has not realized any income from sources or any other means prohibited by Islamic Shariah rules and 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 Barakatuh

Shiekh/Dr. Abdul Sattar Abu Ghuddah

Sheikh/Dr. Essa Zaki

Shiekh/Dr. Yousef Hassan Al Sharrah

Shiekh Abdul Sattar Al Kattan

RISING EVER HIGHER

FINANCIAL HIGHLIGHTS

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 2015, 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 control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 2015, 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 Requirements

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the parent company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the parent company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 March 2015 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 violations 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, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 March 2015 that might have had a material effect on the business of the parent company or on its financial position.

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

24 May 2015
Kuwait

	Notes	*2015* *KD*	*2014* *KD*
INCOME:			
Management and arrangement fee		**148,994**	320,165
Finance income		**148,184**	39,898
Rental income		**790,246**	593,187
Investment (loss) income	3	**(25,062)**	109,925
Share of results of an associate	11	**(10,700)**	(1,892)
Unrealised gain on revaluation of investment properties	12	**1,719,370**	1,103,763
Gain (loss) on sale of investment properties		**43,119**	(130,168)
Foreign exchange (loss) gain		**(124,170)**	17,856
Profit from sale of leased asset		**26,109**	14,851
Revenue from vehicles rental		**1,319,293**	761,191
Other income		**-**	27,997
Total income		**4,035,383**	2,856,773
EXPENSES:			
General and administrative expenses	4	**2,749,805**	2,381,938
Portfolio management and collection charges		**23,859**	49,166
Properties management and maintenance charges		**259,421**	230,070
Professional and legal fees		**195,001**	214,748
Finance costs		**127,631**	131,611
Total expenses		**3,355,717**	3,007,533
Profit (loss) before provision for credit and impairment losses		**679,666**	(150,760)
Impairment loss on financial assets available for sale	9	**(252,872)**	-
(Provision) net release of provision for impairment losses on Islamic financing receivables	6	**(74,809)**	175,867
Net release of legal case provision	17	**1,105,872**	-
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND ZAKAT AND BOARD REMUNERATION		**1,457,857**	25,107
Zakat		**21,594**	-
Contribution to KFAS		**19,759**	-
Board remuneration		**22,000**	
PROFIT FOR THE YEAR		**1,394,504**	25,107

The attached notes 1 to 23 form part of these consolidated financial statements.

	Notes	***2015*** ***KD***	*2014* *KD*
Profit for the period		**1,394,504**	25,107
Other comprehensive income			
Other comprehensive income (loss) to be reclassified to consolidated income statement in subsequent periods:			
Net movement in cumulative changes in fair value		**(196,067)**	-
Exchange differences arising on translation of foreign operations		**142,044**	28,969
Impairment loss transferred to consolidated statement of income	9	**252,872**	-
Net other comprehensive income to be reclassified to consolidated income statement in subsequent periods		**198,849**	28,969
Total other comprehensive income for the year		**198,849**	28,969
Total comprehensive income for the year		**1,593,353**	54,076
Attributable to:			
Equity holders of the Parent Company		**1,593,353**	54,076

The attached notes 1 to 23 form part of these consolidated financial statements.

	Notes	**2015 KD**	2014 KD
ASSETS			
Cash and cash equivalents	5	**2,226,407**	5,149,468
Islamic financing receivables	6	**2,386,921**	8,808
Investments at fair value through profit and loss	7	**254,994**	334,294
Other assets	8	**1,026,710**	1,733,915
Financial assets available for sale	9	**1,763,057**	1,959,124
Held to maturity investment	10	**-**	110,231
Investment in associate	11	**1,772,792**	1,673,706
Investment properties	12	**12,468,770**	11,112,478
Property, plant and equipment	13	**4,067,921**	2,653,029
TOTAL ASSETS		**25,967,572**	24,735,053
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**21,000,000**	21,000,000
Statutory reserve	15	**148,297**	2,511
Share options reserve		**7,510**	7,510
Cumulative changes in fair values		**-**	(56,805)
Foreign currency translation reserve		**227,125**	85,081
Retained earnings		**1,271,314**	22,596
TOTAL EQUITY		**22,654,246**	21,060,893
LIABILITIES			
Islamic finance payable	16	**1,814,582**	1,783,633
Other liabilities	17	**1,498,744**	1,890,527
TOTAL LIABILITIES		**3,313,326**	3,674,160
TOTAL EQUITY AND LIABILITIES		**25,967,572**	24,735,053

Issam Zaid Al-Tawari
Chairman

The attached notes 1 to 23 form part of these consolidated financial statements.

	Notes	**2015 KD**	*2014 KD*
OPERATING ACTIVITIES			
Profit for the year		**1,394,504**	25,107
Adjustments for:			
Unrealised loss on investments at fair value through profit and loss	3	**79,300**	109,674
Realised gain on investments at fair value through profit and loss	3	**-**	(57,427)
Income from held to maturity investments	3	**-**	(71,441)
Income from investment deposits and saving accounts	3	**(32,920)**	(18,907)
Dividend income	3	**(21,318)**	(24,069)
Profit from sale of leased asset		**(26,109)**	(14,851)
Share of results of an associate	11	**10,700**	1,892
(Gain) loss on sale of investment properties		**(43,119)**	130,168
Other income		**-**	(27,997)
Unrealised (gain) on revaluation of investment properties	12	**(1,719,370)**	(1,103,763)
Depreciation	13	**691,595**	390,137
Finance costs		**127,631**	131,611
Impairment loss on financial assets available for sale	9	**252,872**	-
Net release of provision for impairment losses on Islamic financing receivables	6	**74,809**	(175,867)
Net release of legal case provision	17	**(1,105,872)**	-
Provision for employees' end of service benefits		**154,686**	246,001
Foreign exchange gain		**124,170**	(17,856)
		(38,441)	(477,588)
Working capital changes:			
Islamic financing receivables		**(2,452,922)**	726,398
Investments at fair value through profit and loss		**-**	511,722
Other assets		**583,035**	(220,000)
Other liabilities		**656,760**	(256,767)
Cash flows (used in) from operating activities		**(1,251,568)**	283,765
Employees' end of service benefits paid		**(65,099)**	(800,512)
Net cash flows used in operating activities		**(1,316,667)**	(516,747)
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**-**	(2,500,000)
Proceeds from redemption of financial assets available for sale		**-**	5,590,488
Additions to investment properties	12	**(60,278)**	(87,983)
Disposal of investment properties		**466,475**	113,900
Purchase of held to maturity investments		**-**	(2,800,000)
Proceeds from held to maturity investments		**110,231**	2,689,769
Purchase of property, plant and equipment	13	**(2,682,761)**	(2,080,501)
Proceeds from sale of leased assets		**602,383**	316,648
Income from investment deposits and saving accounts	3	**32,920**	18,907
Dividend received	3	**21,318**	24,069
Net cash flows (used in) from investing activities		**(1,509,712)**	1,285,297
FINANCING ACTIVITIES			
Net movement in Islamic finance payable		**30,949**	(100,830)
Finance costs paid		**(127,631)**	(131,611)
Net cash flows used in financing activities		**(96,682)**	(232,441)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,923,061)**	536,109
Cash and cash equivalents at 1 April 2014		**5,149,468**	4,613,359
CASH AND CASH EQUIVALENTS AT 31 MARCH 2015	5	**2,226,407**	5,149,468

The attached notes 1 to 23 form part of these consolidated financial statements.

	Share capital KD	Statutory Reserve KD	Share options reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Retained earnings (accumulated losses) KD	Total KD
Balance at 1 April 2014	21,000,000	2,511	7,510	(56,805)	85,081	22,596	21,060,893
Profit for the year	-	-	-			1,394,504	1,394,504
Other comprehensive income for the year	-	-	-	56,805	142,044	-	198,849
Total comprehensive income for the year	-	-	-	56,805	142,044	1,394,504	1,593,353
Transfer to statutory reserves	-	145,786	-	-	-	(145,786)	-
Balance at 31 March 2015	**21,000,000**	**148,297**	**7,510**	**-**	**227,125**	**1,271,314**	**22,654,246**
Balance at 1 April 2013	30,000,000	403,129	7,510	(56,805)	56,112	(9,403,129)	21,006,817
Profit for the year	-	-	-	-	-	25,107	25,107
Other comprehensive income for the year	-	-	-	-	28,969	-	28,969
Total comprehensive income for the year	-	-	-	-	28,969	25,107	54,076
Accumulated losses written-off	(9,000,000)	(403,129)	-	-	-	9,403,129	-
Transfer to statutory reserves	-	2,511	-	-	-	(2,511)	-
Balance at 31 March 2014	21,000,000	2,511	7,510	(56,805)	85,081	22,596	21,060,893

The attached notes 1 to 23 form part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

The consolidated financial statements of Rasameel Structured Finance Company K.S.C. (Closed) (the "Parent Company") and subsidiaries (collectively the "Group") for the year ended 31 March 2015 were authorised for issuance in accordance with a resolution of the Parent Company's board of directors on 24 May 2015 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 in the state of Kuwait on 4 January 2006 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is engaged in the following activities:

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

The Parent Company is regulated by the Central Bank of Kuwait and the Capital Market Authority. All activities of the Group are performed according to the instructions of the Islamic Sharea'a as approved by the Fatwa and Sharea'a Supervisory Board of the Parent Company.

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by 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 International Accounting Standard IAS 39 requirement for collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of financial assets at fair value through consolidated statement of income, financial assets available for sale and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the Parent Company's functional and presentation currency.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 March 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group has no non-controlling interest, the profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and amended standards and interpretations (continued)

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated profit rates can be measured at invoice amounts when the effect of discounting is immaterial.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS consolidated financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

2.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurements, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous version of IFRS 9 (2009,2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities

Annual Improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendments are applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amount of the asset.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expense incurred for management services.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Annual Improvements 2010-2012 Cycle (continued)

IFRS 3 Business Combinations
The amendments is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarifies that:
- An entity must disclose the judgements made by management in applying the aggregation criterial in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on after 1 January 2017 with early adoption permitted, The group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

The application of these standards will be made in the consolidated financial statements when these standards become effective. The Group's management is yet to assess the impact of the application of these standards on the consolidated financial statements of the Group.

2.5 Summary of significant accounting policies and disclosures

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 swaps and profit rate contracts in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer is recognized 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, is recognised in accordance with IAS 39 either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is 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 the consolidated statement of income.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

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, wakala and murabaha is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding;
- Dividend income is recognised when the right to receive the payment is established;
- Profit from saving accounts and held to maturity investments are recognised as the profit accrues;
- Income from the sale of properties is recognised when the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably;
- Rental income on investment properties is earned on occupancy basis; and
- Revenue from vehicles rental arising from operating leases on vehicles is accounted for on a straight-line basis over the lease terms

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

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

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

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

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year attributable to equity holder of the Parent Company before contribution to Zakat and Directors' remuneration in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve and accumulated losses brought forward should be excluded from profit for the year when determining the contribution.

Zakat
Contribution to Zakat is calculated at 1% of the profit for the year attributable to equity holder of the Parent Company before contribution to KFAS and Directors' remuneration in accordance with the Ministry of Finance resolution No. 58/2007.

Cash and cash equivalents
Cash and cash equivalents are defined as bank balances and cash, treasury placements and Islamic financing receivables with contractual maturities of three months or less.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as investments at fair value through profit and loss, other assets , financial assets available for sale, or as Islamic financing receivables, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Other assets
- Financial assets available for sale
- Wakala placements
- Murabaha financings

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of income.

Other assets

Other assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective profit rate (EPR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in finance income in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income in finance costs for loans and in other operating expenses for receivables.

Financial assets available for sale

Financial assets available for sale include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the consolidated statement of income in finance costs. profit earned whilst holding available for sale financial assets is reported as profit income using the EPR method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

i) Financial assets (continued)
Subsequent measurement (continued)

Financial assets available for sale (continued)
The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EPR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EPR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Wakala placements
Wakala placements comprise amounts invested with financial institutions under wakala arrangements for the onward deals by these institutions in various Islamic investment products or a sum of money provided to an agent, who invests it according to specific conditions in return for fees. The agent is obligated to return the amount in case of negligence or violations of any terms and conditions of the wakala agreement.

Murabaha financings
Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis.

Derecognition

- A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

i) Financial assets (continued)
Derecognition (continued)

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective profit rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of income. Profit income (recorded as finance income in the consolidated statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

Financial assets available for sale
For financial assetsavailable for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as Available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from OCI and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Future profit income continues to be accrued based on the reduced carrying amount of the asset, using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. The profit income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

i) Financial assets (continued)
Derecognition (continued)

Accounts receivable
In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

ii) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include islamic finance payable and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Ijara payables
Ijara is an Islamic transaction involving the purchase and immediate lease of an asset at cost 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 payables are stated at the aggregate of the minimum lease payments due, net of any deferred income.

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

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

iii) Offsetting of financial instruments (continued)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

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 operations or to undertake a transaction on adverse terms.

Fair value measurements related to items recorded at fair value to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all assets recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy.

Fair values of financial instruments

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

Fair values (continued)

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, current fair value of another instrument that is substantially the same, an earnings multiple, or an industry specific earnings multiple or is based on the expected cash flows of the investment discounted at current rates applicable for items with similar terms and risk characteristics. 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.

The fair value of profit bearing financial instruments is estimated based on discounted cash flows using profit rates for items with similar terms and risks characteristics.

An analysis of fair values and further details as to how they are measured are provided in Note 22.

Investment in associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of other comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared on different reporting date, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the impairment in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in consolidated statement of income.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

Investment properties (continued)

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Capital work in progress is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets or over the lease term of leased motor vehicles whichever is less as follows:

• Leased motor vehicles	Shorter of lease term or 5 years
• Computer software	5 years
• Furniture and fixtures	5 years
• Leasehold improvements	20 years
• Equipment	5 years

Capital work in progress is stated at cost. Following completion, capital work in progress is transfer to relevant class of property, plant and equipment.

The carrying values of property, plant 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, being the higher of their fair value less costs to sell and their value in use.

When the Group purchases vehicles for the purpose of renting them they are recognized as property, plant and equipment. If and when those vehicles are subsequently held for sale (typically after the end of the lease contract) they are transferred to inventory at the carrying value at the date of transfer. If there is subsequently a new contract for renting those same vehicles they are transferred back to be a component of property, plant and equipment and the Group retrospectively adjusts their carrying value to accord with their useful economic lives.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

End of service benefits
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its national employees, the Parent Company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Parent Company obligations are limited to these contributions, which are expensed when due.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies and disclosures (continued)

Foreign currencies translation
The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

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 financial position date. All differences are included within foreign exchange gain / (loss) in 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 is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation the assets and liabilities of foreign subsidiaries are translated into Kuwait Dinar at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular is recognized in the consolidated statement of income.

2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the
disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

Judgements
In the process of applying the Group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate
Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment.
The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through consolidated statement of income depends on how management monitors the performance of these financial assets. 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 consolidated statement of income in the management accounts, they are designated as fair value through consolidated statement of income.

The Group classifies financial assets as held-to-maturity when it has the positive intention and ability to hold them to maturity.

Classification of assets as Islamic financing receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments, the financial asset is classified as Islamic financing receivables.

All other financial assets are classified as available-for-sale.

Impairment of financial assets available-for-sale
The Group treats financial assets available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Fair value measurements

The Group measures certain financial instruments, and non-financial assets such as investment properties, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 22 of the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An analysis of fair values and further are provided in Note 22.

Valuation of investment properties

The Group estimates the fair value of investment properties using considerable judgement and assumptions required to reflect the market conditions at the consolidated financial position date, based on the lower of two valuations undertaken by independent real estate assessors.

3 INVESTMENT(LOSS) INCOME

	2015 KD	2014 KD
Unrealised loss on investments at fair value through profit and loss	**(79,300)**	(109,674)
Realised gain on sale of investments at fair value through profit and loss	**-**	57,427
Income from held to maturity investments	**-**	71,441
Income from investment deposits and saving accounts	**32,920**	18,907
Dividend income	**21,318**	24,069
Other investment income	**-**	47,755
	(25,062)	109,925

4 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 KD	2014 KD
Staff costs and benefits	**1,548,156**	1,600,142
Operating lease	**127,350**	149,694
Depreciation (Note 13)	**691,595**	390,137
Other	**382,704**	241,965
	2,749,805	2,381,938

5 CASH AND CASH EQUIVALENTS

	2015	*2014*
	KD	*KD*
Cash and bank balances	**2,226,407**	1,299,468
Investment deposits	**-**	3,850,000
	2,226,407	5,149,468

Investment deposits represent amounts placed in investment accounts with local and foreign Islamic banks. Such deposits mature within 3 months from the date of the placements and are classified as cash and cash equivalents in the consolidated statement of financial position. Investment deposits carry an average rate of profit of approximately 0.75% (2014: 0.75%) per annum.

6 ISLAMIC FINANCING RECEIVABLES

	Consumer financing	*Murabaha*	*Total*
	KD	*KD*	*KD*
At 31 March 2015			
Gross amount	**282,788**	**2,735,714**	**3,018,502**
Less: deferred income	**-**	**(183,061)**	**(183,061)**
	282,788	**2,552,653**	**2,835,441**
Less: impairment losses:			
Specific provision	**(282,788)**	**-**	**(282,788)**
General provision	**-**	**(165,732)**	**(165,732)**
	(282,788)	**(165,732)**	**(448,520)**
	-	**2,386,921**	**2,386,921**

	Consumer financing	*Murabaha*	*Total*
	KD	*KD*	*KD*
At 31 March 2014			
Gross amount	382,591	-	382,591
Less: deferred income	(72)	-	(72)
	382,519	-	382,519
Less: impairment losses:			
Specific provision	(373,648)	-	(373,648)
General provision	(63)	-	(63)
	(373,711)	-	(373,711)
	8,808	-	8,808

6 ISLAMIC FINANCING RECEIVABLES (continued)

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

	General		Specific		Total	
	2015 KD	*2014 KD*	**2015 KD**	*2014 KD*	**2015 KD**	*2014 KD*
At the beginning of the year	**63**	4,520	**373,648**	545,058	**373,711**	549,578
Provided during the year	**170,654**	-		-	**170,654**	-
Provision no longer required	**(4,985)**	(4,457)	**(90,860)**	(171,410)	**(95,845)**	(175,867)
		-		-	**-**	-
At the end of the year	**165,732**	63	**282,788**	373,648	**448,520**	373,711

The average profit rate attributable to consumer financing receivables is 3% (2014: 4%) per annum and average profit rate for tawarruq is 8% (2014: Nil)

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

7 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2015 KD	*2014 KD*
Quoted equity securities	**254,994**	334,294

Quoted equity securities with carrying value KD 254,994 (2014: KD 334,294) are carried at fair value based on last bid prices of Kuwait Stock Exchange.

8 OTHER ASSETS

	2015 KD	*2014 KD*
Accrued income	**237,396**	261,491
Staff receivable	**103,539**	106,111
Trade receivable	**301,125**	211,265
Receivable due to disposal of investment properties	**-**	799,033
Advance, deposit and prepayments	**179,328**	271,937
Amount due from a related party (Note 18)	**51,584**	23,973
Others	**153,738**	60,105
	1,026,710	1,733,915

9 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 KD	2014 KD
Unquoted managed fund	**168,200**	349,178
Unquoted equity securities	**1,594,857**	1,609,946
	1,763,057	1,959,124

Unquoted managed fund amounting to KD 168,200 (2014: KD 349,178) is carried at fair value as advised by the investment manager. The Parent Company's management has performed a detailed review of the financial assets based on the Net Asset Value (NAV), as a result an impairment charge of KD 180,979 (2014: Nil) has been recorded in the consolidated statement of income. In addition, during the year, the Parent Company has impaired the cumulative changes in fair values of the investment in the other comprehensive income amounting KD 56,805 (2014:Nil).

As at 31 March 2015, unquoted equity securities amounting to KD 1,594,857 (2014: KD 1,609,946) 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 Group intends to hold them for the long term.

The Group's management has performed a detailed review of the financial assets available for sale based on the latest available financial information of these investments to assess whether impairment has occurred in the value of these investments, as a result an impairment charge of KD 15,088 (2014: KD Nil) has been recorded in the consolidated statement of income.

10 HELD TO MATURITY INVESTMENT

In 2014, the Parent Company purchased a short term investment on Islamic sukuk amounting to KD 2,800,000 where KD 2,689,769 was matured and collected in 2014. During the year, the remaining balance of KD 110,231 matured and was fully collected.

11 INVESTMENT IN ASSOCIATE

Details of the Group's associates are in Note 23.

The following table illustrates the Group's investment in an associates:

	2015 KD	*2014 KD*
At the beginning of the year	**1,673,706**	1,644,928
Share of results	**(10,700)**	(1,892)
Foreign currency translation adjustment	**109,786**	30,670
At the end of the year	**1,772,792**	1,673,706

11 INVESTMENT IN ASSOCIATE (continued)

Summarised financial information of the associate:

	2015 **KD**	2014 KD
Share of the associate's statement of financial position:		
Current assets	**38,466**	125,689
Non-current assets	**3,892,329**	2,464,086
Current liabilities	**784,728**	629,488
Non-current liabilities	**1,489,327**	395,464
Net assets	**1,656,740**	1,564,823
Goodwill included in the carrying amount	**116,052**	108,883
	1,772,792	1,673,706
Share of the associate's statement of income:		
Profit income	**2,463**	4,472
General and administrative expenses	**(13,163)**	(6,364)
Loss for the year	**(10,700)**	(1,892)

12 INVESTMENT PROPERTIES

	2015 **KD**	2014 KD
At the beginning of the year	**11,112,478**	10,963,833
Additions	**60,278**	87,983
Disposal	**(423,356)**	(1,043,101)
Unrealised gain on revaluation	**1,719,370**	1,103,763
At the end of the year	**12,468,770**	11,112,478

Investment properties are categorised into developed properties.

The fair values of the investment properties are calculated based on the lower of the two valuations obtained from professional independent real estate valuers. Fair value of investment properties are determined by reference to value of recent transactions in the market for similar properties. As significant valuation inputs used are based on unobservable market data, these are classified under level 3 fair value hierarchy. An analysis of fair values and further are provided in Note 22.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements KD	Furniture and fixtures KD	Equipment KD	Computer software KD	Capital work in progress KD	Leased motor vehicles KD	Total KD
Cost							
At 1 April 2014	173,342	158,516	160,082	123,429	7,152	2,894,626	3,517,147
Additions during the year	2,285	2,300	26,832	4,344	-	2,647,000	2,682,761
Transfers	(500)	500	-	7,152	(7,152)	-	-
Disposals during the year	-	-	-	-	-	(728,064)	(728,064)
At 31 March 2015	**175,127**	**161,316**	**186,914**	**134,925**	**-**	**4,813,562**	**5,471,844**
Depreciation							
At 1 April 2014	102,424	146,546	131,456	110,246	-	373,446	864,118
Charge for the year	3,484	3,579	11,926	7,509	-	665,097	691,595
Relating to the disposals	-	-	-	-	-	(151,790)	(151,790)
At 31 March 2015	**105,908**	**150,125**	**143,382**	**117,755**	**-**	**886,753**	**1,403,923**
Net carrying amount							
At 31 March 2015	**69,219**	**11,191**	**43,532**	**17,170**	**-**	**3,926,809**	**4,067,921**

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements KD	Furniture and fixtures KD	Equipment KD	Computer software KD	Capital work in progress KD	Leased motor vehicles KD	Total KD
Cost							
At 1 April 2013	101,849	157,807	150,056	121,889	63,092	1,220,050	1,814,743
Additions during the year	71,493	1,469	10,456	1,540	7,152	1,988,391	2,080,501
Disposals during the year	-	(760)	(430)	-	(63,092)	(313,815)	(378,097)
At 31 March 2014	173,342	158,516	160,082	123,429	7,152	2,894,626	3,517,147
Depreciation							
At 1 April 2013	101,849	143,293	111,123	103,426	-	90,590	550,281
Charge for the year	575	3,493	20,513	6,820	-	358,736	390,137
Relating to the disposals	-	(240)	(180)	-	-	(75,880)	(76,300)
At 31 March 2014	102,424	146,546	131,456	110,246	-	373,446	864,118
Net carrying amount							
At 31 March 2014	70,918	11,970	28,626	13,183	7,152	2,521,180	2,653,029

14 SHARE CAPITAL

The authorised, issued and fully paid in share capital of the Parent Company as at 31 March 2015 comprised 210,000,000 shares (2014: 210,000,000) of 100 fils each.

The board of directors meeting held on 24 May 2015 has proposed a distribution of cash dividend amounting to KD 1,050,000,5 fils per share (2014: Nil, Nil fils per share), which is subject to the approval of shareholders at the annual general meeting.

15 STATUTORY RESERVE

As required by Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, 10% of the profit for the year before contribution to KFAS, Zakat and directors remuneration should be transferred to statutory reserve.

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

16 ISLAMIC FINANCE PAYABLE

	2015 ***KD***	*2014* *KD*
At 31 March 2015		
Ijara gross amount	**1,814,582**	1,783,633

Ijara payables carry an average rate of profit of approximately 6.75% (2014: 7.25%) per annum (Note 20). It is payable on a monthly basis amounting AED 218,294 (equivalent to KD 17,874) for each installment.

17 OTHER LIABILITIES

	2015 ***KD***	*2014* *KD*
Employees' end of service benefits	**376,646**	285,059
Provision made for a legal case	**-**	1,105,872
Accrued expenses	**175,458**	105,615
Provision made for Zakat and KFAS	**41,353**	-
Payable to supplier	**285,736**	96,149
Advance rental and deposits	**107,452**	132,183
Other liabilities and accruals	**512,099**	165,649
	1,498,744	1,890,527

In 2009, one of the customers of the group Maritime Tankers and Shipping Company filed a lawsuit against the Parent Company claiming a breach in terms of the financing agreement. The Court of First Instance ruled in the favor of Maritime Tankers and Shipping Company, which resulted in the Parent Company recognizing a provision amounting to KD 1,105,872. Subsequently, the Parent Company raised the case to the Court of Appeal and won the legal case on 24 December 2014 since the customer did not provide sufficient evidence to support the initial Lawsuit. Despite the possibility that Maritime Tankers and Shipping Company may raise this case to Cessation court, the Parent Company released the provision since the possibility of an outflow of resources embodying economic benefits is considered by the management as remote.

18 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

18 RELATED PARTY TRANSACTIONS (continued)

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

	Major shareholders KD	***2015*** ***KD***	*2014* KD
Consolidated statement of financial position			
Amount due from a related party (Note 8)	**51,584**	**51,584**	23,973
Key management compensation			
Salaries and short-term benefits	-	**313,439**	274,712
Employees' end of service benefits	-	**42,185**	36,468
	-	**355,624**	311,180

19 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss, financial assets available for sale and investment in an associate is based on management's estimate of liquidation of those financial assets.

The maturity profile of assets and liabilities is as follows:

2015	*On demand* KD	*Within 3 months* KD	*3 to 12 Months* KD	*Over 1 year* KD	*Total* KD
Assets					
Cash and cash equivalents	2,226,407	-	-	-	**2,226,407**
Islamic financing receivables	-	450,460	781,908	1,154,553	**2,386,921**
Financial assets at fair value through profit or loss	-	254,994	-	-	**254,994**
Other assets	220,284	172,368	147,262	486,796	**1,026,710**
Financial assets available for sale	-	-	-	1,763,057	**1,763,057**
Investment in an associate	-	-	-	1,772,792	**1,772,792**
Investment properties	-	-	-	12,468,770	**12,468,770**
Furniture and equipment				4,067,921	**4,067,921**
Total assets	**2,446,691**	**877,822**	**929,170**	**21,713,889**	**25,967,572**
Liabilities					
Employee's end of service benefits	-	-	-	376,646	**376,646**
Islamic finance payable	-	23,043	69,129	1,722,410	**1,814,582**
Other liabilities	15,435	475,344	610,615	20,704	**1,122,098**
Total Liabilities	**15,435**	**498,387**	**679,744**	**2,119,760**	**3,313,326**

19 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2014	*On demand KD*	*Within 3 months KD*	*3 to 12 Months KD*	*Over 1 year KD*	*Total KD*
Assets					
Cash and cash equivalents	1,299,468	3,850,000	-	-	5,149,468
Islamic financing receivables	8,808	-	-	-	8,808
Financial assets at fair value through profit or loss	-	-	334,294	-	334,294
Other assets	461,542	1,106,267	8,143	157,963	1,733,915
Financial assets available for sale	-	-	-	1,959,124	1,959,124
Held to maturity investment	-	110,231	-	-	110,231
Investment in an associate	-	-	-	1,673,706	1,673,706
Investment properties	-	-	-	11,112,478	11,112,478
Furniture and equipment	-	-	-	2,653,029	2,653,029
Total assets	1,769,818	5,066,498	342,437	17,556,300	24,735,053
Liabilities					
Employee's end of service benefits	-	-	-	285,059	285,059
Islamic finance payable	-	18,381	55,143	1,710,109	1,783,633
Other liabilities	3,221	189,602	306,772	1,105,873	1,605,468
Total Liabilities	3,221	207,983	361,915	3,101,041	3,674,160

20 RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. It is managed by members of senior management drawn from all key areas of the Group, who guide and assist with overall management of the Group's risks. Each individual within the Group is accountable for the risk exposures relating to their responsibilities.

The Group is exposed to credit risk, liquidity risk and market risk (profit rate risk, equity price risk and currency risk).

The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

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

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

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

20 RISK MANAGEMENT (continued)

Market risk (continued)

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

	31 March 2015			**31 March 2014**		
Market indices	*Change in equity price*	*Effect on other comprehensive income*	*Effect on consolidated statement of income*	*Change in equity price*	*Effect on other comprehensive income*	*Effect on consolidated statement of income*
	%	***KD***	***KD***	*%*	*KD*	*KD*
Kuwait	+-5	**28,700**	**12,749**	+-5	28,700	16,714
Others	+-5	**59,543**	**-**	+-5	69,256	-

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

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. The Group does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The Group had the following net foreign currency exposures at 31 March:

	2015	*2014*
	KD	*KD*
US Dollar	**840,190**	1,204,884
Bahraini Dinar	**510,164**	521,433
UAE Dirham	**1,710,910**	1,587,779
Saudi Riyal	**110,793**	238,046

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

	31 March 2015			**31 March 2014**		
Currency	*Change in currency rate*	*Effect on results*	*Effect on other comprehensive income*	*Change in currency rate*	*Effect on results*	*Effect on other comprehensive income*
	%	*KD*	*KD*	*%*	*KD*	*KD*
US Dollar	+-5	**7,774**	**34,325**	+-5	4,785	12,212
UAE Dirham	+-5	**85,545**	**-**	+-5	6,089	-
Saudi Riyal	+-5	**5,539**	**-**	+-5	895	-
Bahraini Dinar	+-5	**290**	**25,218**	+-5	74	19,436

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

20 RISK MANAGEMENT (continued)

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 customers 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	
	2015	*2014*
	KD	*KD*
Cash and cash equivalents	**2,226,407**	5,149,468
Islamic financing receivables, net of provisions	**2,386,921**	8,808
Held to maturity investments	**-**	110,231
Other assets	**1,026,710**	1,733,915
	5,640,038	7,002,422

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

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

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

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

	Neither past due nor impaired	*Past due or impaired*	*Total*
	KD	*KD*	*KD*
At 31 March 2015			
Cash and cash equivalents	2,226,407	-	**2,226,407**
Consumer financing	-	282,788	**282,788**
Murabaha	2,552,653	-	**2,552,653**
Other assets	1,026,710	-	**1,026,710**
	5,805,770	**282,788**	**6,088,558**

20 RISK MANAGEMENT (continued)

Credit risk (continued)

Credit quality for class of financial assets(continued)

	Neither past due nor impaired KD	*Past due or impaired* KD	*Gross total* KD
At 31 March 2014			
Cash and cash equivalents	5,149,468	-	5,149,468
Consumer financing	-	382,519	382,519
Held to maturity investments	110,231	-	110,231
Other assets	1,733,915	-	1,733,915
	6,993,614	382,519	7,376,133

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.

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, Parent Company's 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, based on contractual repayment obligations which include future profit payments over the life of these financial liabilities. The liquidity profile of undiscounted 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 2015				
Islamic finance payable	53,574	160,722	3,025,467	**3,239,763**
Other liabilities	490,779	610,615	397,350	**1,498,744**
	544,353	**771,337**	**3,422,817**	**4,738,507**
At 31 March 2014				
Islamic finance payable	52,380	157,140	3,208,067	3,417,587
Other liabilities	192,823	306,772	1,390,932	1,890,527
	245,203	463,912	4,598,999	5,308,114

21 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 Parent Company 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 2015 and 31 March 2014.

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.

	2015 KD	*2014 KD*
Islamic finance payable	**1,814,582**	1,783,633
Less: Cash and cash equivalents	**(2,226,407)**	(5,149,468)
Net debt	**-**	-
Total capital	**22,654,246**	21,060,893
Capital and net debt	**22,654,246**	21,060,893
Gearing ratio	**Nil**	Nil

22 FAIR VALUES

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. This level also includes items whose fair values have been provided by reputable external fund managers
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows an analysis of the Group's assets 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 2015				
Investments at fair value through profit or loss				
Quoted equity securities	254,994	-	-	**254,994**
Financial assets available for sale				
Unquoted securities	-	168,200	-	**168,200**
Investment properties	-	-	12,468,770	**12,468,770**
	254,994	**168,200**	**12,468,770**	**12,891,964**

	Level 1 KD	*Level 2* KD	*Level 3* KD	*Total* KD
At 31 March 2014				
Investments at fair value through consolidated statement of income				
Quoted equity securities	334,294	-	-	334,294
Financial assets available for sale				
Unquoted securities	-	349,178	-	349,178
Investment properties	-	-	11,112,478	11,112,478
	334,294	349,178	11,112,478	11,795,950

During the year ended 31 March 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

22 FAIR VALUES (continued)

The following table shows a reconciliation of the beginning and closing balances of the Group's assets classified in level 3 of the fair value hierarchy:

31 March 2015	*At 1 April 2014*	*Gain recorded in the consolidated statement of income*	*Net purchases, sales, transfers and settlements*	*At 31 March 2015*
	KD	*KD*	*KD*	*KD*
Assets measured at fair value				
Investment properties	**11,112,478**	**1,719,370**	**(363,078)**	**12,468,770**

31 March 2014	*At 1 April 2013*	*Gain recorded in the consolidated statement of income*	*Net purchases, sales, transfers and settlements*	*At 31 March 2014*
	KD	*KD*	*KD*	*KD*
Assets measured at fair value				
Investment properties	10,963,833	1,103,763	(955,118)	11,112,478

23 PRINCIPAL SUBSIDIARIES AND ASSOCIATE

The principal subsidiaries and associates of the Group are set out below:

Name of the company	*Country of incorporation*	*Total Interest in equity %* ***2015***	*Total Interest in equity % 2014*	*Principal activities/type*
Subsidiaries				
Rasameel Arabian Holding K.S.C.C	Kuwait	**100**	100	Holding company
Rasameel International for Credit Facilities W.L.L.	Kuwait	**100**	100	Credit facilities
Rasameel International Holding K.S.C.C.	Kuwait	**100**	100	Holding company
Rasameel Global Holding Company K.S.C.C.	Kuwait	**100**	100	Holding company
Haikala for Economical Studies Company W.L.L.	Kuwait	**100**	100	Consultancy services
Haikala Holding Company W.L.L.	Bahrain	**100**	100	Holding company
Rasameel Structuring and General Trading Company W.L.L.	UAE	**100**	100	General trading
Rasameel Investment Bank Limited	UAE	**100**	100	Consultancy services and investment business
Rasameel Motors for General Trading & Contracting W.L.L	Kuwait	**100**	100	General trading and contracting
Rasameel for Credit Facilities W.L.L	Kuwait	**100**	100	Credit facilities
Rasameel International Real Estate Company K.S.C.C	Kuwait	**100**	100	Real Estate investments
Rasameel International Real Estate Company K.S.C.C	Kuwait	**100**	100	Real Estate investments
Investment in Associate				
The Muharraq Mall Company L.L.C.	Bahrain	**22.5**	22.5	Commercial complex services