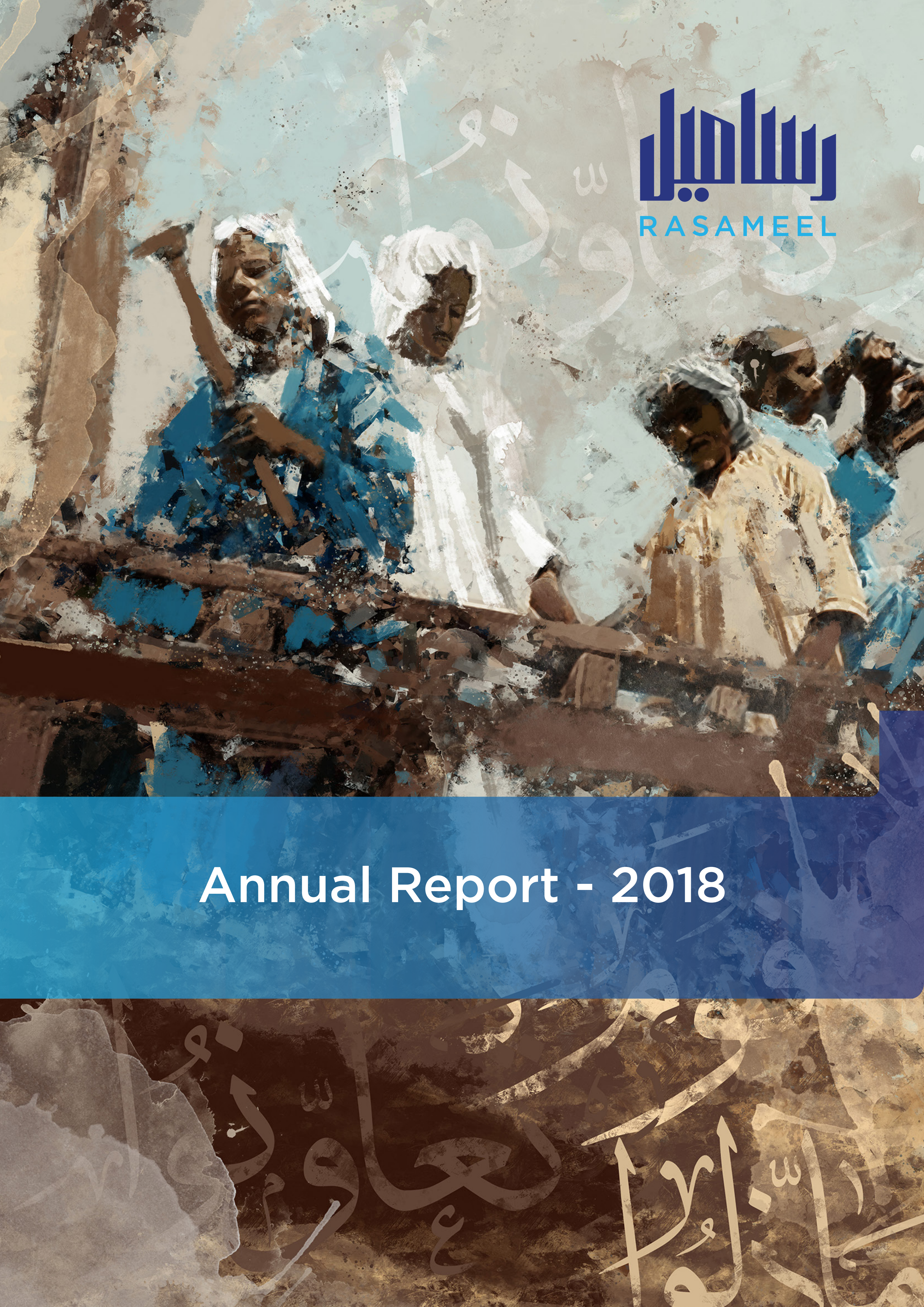

RASAMEEL

Annual Report - 2018

بسم الله الرحمن الرحيم

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HH Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah

Emir of the State of Kuwait

HH Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

Rasameel Investment Company K.S.C. (Closed)
and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2018

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Board of Directors

1-	Dr. Fahed Mohammad Al Rashed	Chairman
2-	Mr. Gerard Snabian	Vice Chairman
3-	Mr. Samir Abdulmohsen Algharaballi	Executive Director & Board Member
4-	Mr. Abdulaziz Mohammad Al Anjeri	Board Member
5-	Mrs. Hanan Yousef Ali	Board Member
6-	Mr. Mohammad Hamed Al Refai	Board Member
7-	Mr. Mohammad Tawfiq Bin Sultan	Board Member
8-	Mr. Haytham Suleiman Al Khaled	Board Member

Sharia Supervisory Board

1-	Sh./Dr. Abdulaziz Khalifa Al Qassar	Chairman
2-	Sh./Dr. Issam Khalaf Al Anzi	Member
3-	Sh./Dr. Ali Ibrahim Al Rashed	Member

Board of Directors Report

Dear shareholders,

On behalf of me and fellow brothers, Chairman and members of the Board of Directors of Rasameel Investment Company, I have the pleasure to welcome you to our ordinary Annual General Assembly meeting. I am happy to present to you the annual report for the financial year ended in 31 March 2018, which includes the Board of Directors' annual report, the latest developments in the company's activities, an up-to-date progress report, the Fatwa and Sharia Supervisory Board report and the company's independent auditors' report. Also, an overview of the latest and global, regional and local economic developments.

As mentioned earlier, Rasameel's focus is on asset management and alternative investments. These two departments are currently providing investment solutions to our clients. Asset Management provides Shari'a compliant equity and sukuk investment services in the form of portfolios and funds. It also offers a unique service in the region, which is the management of Sharia compliant international equity investments. The asset management department has the Investmnet capability to manage equity portfolios and funds in any stock market or sector, as well as investments tailored to meet clients' needs and requirements.

The alternative investment department focuses on real estate investment products in the local Kuwaiti market, the GCC countries and in the international markets. These real estate investments, which provides monthly returns to the company and to our clients, are selected according to strict investment standards. Rasameel's alternative investment team supervises the management of all real estate investments.

Global Economic Review

Although the global economy's historical growth rates for the period 2008-2016 were below the levels of previous years, there has been recently a growing optimism about higher growth rates in the future starting in 2017. The global economic growth was at 3.2% in 2016 and the International Monetary Fund (IMF) estimated a 3.8% growth in 2017 and around 3.9% in 2018. There are threats to this optimism as the IMF recognizes the increasing geopolitical risks, rising debt levels threatening major economies such as China, the risks of a trade war initiated by the United States President Donald Trump, and the risk of an asset bubble resulting from the end of cheap money era and the start of rising interest rates.

According to the IMF's report released in April 2018, this optimism comes from the improved performance of the world's major economies. In 2017, the United States economy grew by 2.3%, up from 1.5% in 2016, and is expected to grow by 2.9% in 2018. The support for this growth comes from an expected increase in infrastructure spending to modernize the country's decrepit infrastructure and the effect of implementing the corporate and income tax overhaul from 35% to 22%. The improvement in the US economy remains threatened by President Trump's policies based on "America First", which represents a risk for the integrity of the interrelated global economy, and it is threatened as well by potential internal divisions stemming from the diversion of the benefits of growth to the very affordable category within the US.

In China, the local economy achieved a high and unexpected growth in 2017, which rose from 6.7% in 2016 to 6.9% in 2017. This growth rate was a bit higher than the original estimates. The Chinese economy is expected to grow by 6.6% in 2018. The stability of Chinese economic growth is threatened by a potential trade war and a greater risk from excess debts. During 2017 the Japanese economy, which is considered the world's third largest economy, grew by 1.7% up from 0.9% in 2016, but is expected to grow slower in 2018 and close to 1.2%. This optimism reaches Germany as well where the local economy grew by 2.5% in 2017 up from 1.9% in 2016 (2.3% for the euro zone in 2017) and is expected to grow by 2.5% (2.4% for the euro zone) in 2018. The importance of Germany lies in its overwhelming influence on the integrity of the future of the single currency region in Europe, and perhaps in the whole European Union. There is still some uncertainty about Britain's future economic growth. After an early election last summer, where the Conservative ruling party lost their majority in the parliament, and after Britain's safe exit from the EU faltered, its economic growth rates continued to decline from 2.3% in 2015 to 1.9% in 2016, to 1.8% in 2017, and is estimated to drop to 1.6% in 2018.

International Stock Markets

Global stock markets had a very active period after the global financial crisis in 2008, because of the sharp expansion of monetary policies in the world's major economies, most notably the US dollar, which has gone through a long period of near-zero interests. The cheap money generated by the printing of the US dollar, which is the global reserve currency, pushed stock prices to record highs. The Dow Jones Industrial Average Index for instance doubled 2.14 times from 11,544 points in August 31, 2008, just before the crisis erupted, to 24,719.2 points at the end of December 2017. In 2017, most financial markets in developed and emerging economies continued to gain high, with the Indian market gaining the most among emerging markets after it rose 27.9%, while the Dow Jones was second gaining 25.1%, and Japan's Nikkei third rising 19.1%. Germany's DAX was up by 12.5% and France's CAC rose by 9.3%, while those gains fell slightly to 7.6% for the British FTSE and 6.6% for China's CS Composite index.

The performance of these markets in the first quarter of 2018 pointed to a safe correction that these markets is witnessing, where the indexes are recording losses. At the end of the first quarter, FTSE lost 8.2% compared to its levels by the end of 2017 while Germany's DAX lost 6.4%, and Japan's Nikkei was down 5.8%. The Chinese market lost 4.2% and the Indian market was down 3.2% while France's CAC and the Dow Jones declined by 2.7% and 2.5% receptively.

GCC economies in 2017

After the shock of the sharp decrease in oil prices that started in the fall of 2014, and reached its lowest levels in January 2016 when the Brent crude oil reached US$30.7 per barrel, the negative repercussions on the economic growth of the GCC countries increased by time. Following a growth by 3.6% in 2015, according to the IMF report, the economic growth fell to 2.2% in 2016, then to minus 0.1% in 2017, but it is expected to recover in 2018 to reach 1.9% and to increase by 2.6% in 2019. The impact on the performance of the GCC economy is affected by general variables, some positive the others negative. On the positive side, the sharp drop in oil prices pushed the officials in the GCC countries to adopt financial and economic reforms visions and policies, as well as to cooperate within OPEC and with traditional oil producers outside the organization to limit supply. This led to a rise in oil prices, which reached around US$ 80 per barrel recently. On the downside, wars and geopolitical conflicts continue to exert heavy pressure on the GCC countries business environment. These events and disagreements among the GCC states themselves are draining their scarce financial resources beyond their financial and economic reforms.

Despite the negative economic growth in 2017, the performance of GCC financial markets was mixed. Three of the GCC markets registered positive returns led by the Bahrain Bourse with gains of 9.1%, followed by the Kuwait Stock Exchange Weighted Index, which rose by 5.6% and slight gains for the Saudi Stock Exchange, which went up by 0.2%. Meanwhile the other four financial markets suffered losses and delivered negative returns, some of them high. The Qatar stock market was the biggest loser after it declined by 18.3%, followed by the Muscat Securities Market with losses of 11.8%, then the Dubai financial market and Abu Dhabi Securities Exchange, which declined by 4.6% and 3.3% respectively. The losses in the financial markets were greater compared to the gains achieved in the aforementioned three markets.

The performance of the first quarter of the year was mixed. Three of the GCC financial markets registered positive returns, led by the Saudi stock exchange that was up by 12.4%, followed by Abu Dhabi Securities Exchange with gains of 2.3% and the Kuwait Stock Exchange Weighted Index before its cancellation with gains of 0.6%. The Qatar stock market topped the losing markets with a loss of 17.5%, followed by the Muscat

Securities Market that was down 14%, then the Dubai financial market and Bahrain Bourse with losses of 10.7% and 2.8% respectively. It is expected that the stability of oil prices at the current high levels around US$ 70 per barrel, while considering the differences within the GCC countries at the current level, or perhaps an ease of the situation, will have a positive impact on the financial markets and push the GCC markets to a better performance for the remainder of this year.

Kuwait Economy

According to the same source, the IMF report, Kuwait's economic performance in 2017 was the weakest among the GCC countries, with a negative growth of 2.5%, after being the third best performer with the Qatari economy at a growth rate of 2.2% in 2016. It is expected that Kuwait's economic performance will be again the weakest in 2018 with an expected growth by 1.3%, but it may achieve the second best possible performance in 2019, at a growth rate of 3.8% and the best possible performance within the GCC with a growth rate of 3.9% in 2020.

Kuwait enjoys a good financial position, and the latest available information, according to Fitch Ratings, indicates that its two reserves, the Future Generations Fund and the General Reserve Fund, will reach about US$ 590 billion. Kuwait is trying to adopt policies to ensure the sustainability of its public finances by setting a ceiling on public expenditure to ensure that its budget deficit does not exceed KD 3 billion for any fiscal year, but these targets face significant obstacles in its implementation procedures. The Kuwaiti government has also adopted the vision of "New Kuwait" by 2035, which aims at achieving economic sustainability. This plan is expected to cost around US$ 400 billion and seeks to create 200,000 jobs. However, the plan lacks many details and is still in the marketing phases.

Despite the negative growth rates of the local economy in 2017, and the difficulties to promote financial and economic reforms, Rasameel Investment Company considers the local market as an appropriate environment to support its activities. The Alternative Investment Department had successfully launched three real estate investment projects during the company's fiscal year ended 31 March 2018, in the United Arab Emirates and the United Kingdom with a total value of US$ 40 million, which was completely covered.

The Portfolios Management Department has been managing various portfolios with great success and professionalism, leading to an excellent performance that surpassed the markets benchmarks. Rasameel Investment Company was among a few in the world to introduce through its Portfolios Management Department the electric cars investment portfolio. This initiative confirms the company's ability to foresee the international investment conditions and prospects as well as launching the appropriate investment products. The Global Portfolio Management has successfully raised approximately US$ 50 million from investors to finance these products.

Dear Shareholders,

The company has succeeded in everything new in its investments, despite the difficulty of the business environment at the global, regional and local levels. In the meantime, it is still facing pressures on asset values the new management inherited. Due to the pressures of the business environment and the location of its old assets, the company was forced to record a total loss of KD 1,522,534 for the financial year ended March 31, 2018. Losses of KD 1,007,600 out of the total losses recorded by the company are related to the decline in the value of our real estate investments in the GCC countries and changes in the fair value of some investments. The remaining losses of KD 497,460 were the result of the operational expenses and low revenues caused by our inability to offer other investment products and increase revenues. These losses were also caused by our inability to liquidate the real estate investments and invest their proceeds in introducing new products, on the one hand, and to the novelty of our new investments and the need for some time for them to mature and reach a level that allow us to exit, on the other hand. This has led to delay in the completion of the restructuring process, and we are working hard to compensate this by making more effort in the future. We are confident that achieving success in this process is possible.

I would like to thank the dedicated staff of Rasameel Investment Company for their continued efforts and hard work to maintain the company's reputation as it is today. I also wish to acknowledge the sustained support of our shareholders that keeps us motivated to continue working successfully. I would also like to thank the Fatwa and Shari'a Supervisory Board for its cooperation.

In conclusion, we cannot but pray to God Almighty to reward our efforts to provide the best to our shareholders and investors. We ask God Almighty to protect Kuwait and its people under the wise leadership of His Highness the Amir and His Highness the Crown Prince.
We also thank you for your continued support and we assure you that as a company, we will always work to meet your expectations.

Fahed Muhammad Al Rashed
Chairman of the Board of Directors

RASAMEEL

Sharia Board Committee Report

بسم الله الرحمن الرحيم

الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وآله وصحبه...
إلى مساهمي شركة رساميل للاستثمار
السلام عليكم ورحمة الله وبركاته،،

لقد راقبنا المبادئ المستخدمة والعقود المتعلقة بالمعاملات والتطبيقات التي طرحتها المؤسسة خلال الفترة المنتهية في 31 مارس2018م، ومدى التزام المؤسسة بأحكام ومبادئ الشريعة الإسلامية وكذلك بالفتاوى والقرارات والإرشادات المحددة التي تم إصدارها من قبلنا.

تقع مسئولية التأكد من أن المؤسسة تعمل وفقاً لأحكام ومبادئ الشريعة الإسلامية على الإدارة، أما مسئوليتنا فتنحصر في إبداء رأي مستقل بناء على مراقبتنا لعمليات المؤسسة، وفي إعداد تقرير لكم.

لقد قمنا بمراقبتنا التي اشتملت على فحص التوثيق والإجراءات المتبعة من المؤسسة على أساس اختبار كل نوع من أنواع العمليات.

لقد قمنا بتخطيط وتنفيذ مراقبتنا من أجل الحصول على جميع المعلومات والتفسيرات التي اعتبرناها ضرورية لتزويدنا بأدلة تكفي لإعطاء تأكيد معقول بأن المؤسسة لم تخالف أحكام ومبادئ الشريعة الإسلامية.

وفي رأينا:

- أن العقود والعمليات والمعاملات التي أبرمتها الشركة خلال السنة المنتهية في 31 مارس 2018، التي اطلعنا عليها تمت وفقاً لأحكام ومبادئ الشريعة الإسلامية.

نسأل الله العلي القدير أن يحقق لنا الرشاد والسداد.

والسلام عليكم ورحمة الله وبركاته،،

الشيخ الدكتور/ عبد العزيز خليفة القصار
رئيس هيئة الفتوى والرقابة الشرعية

الشيخ الدكتور/ عصام خلف العنزي
عضو هيئة الفتوى والرقابة الشرعية

الشيخ / علي ابراهيم الراشد
عضو هيئة الفتوى والرقابة الشرعية

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RASAMEEL INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the Audit of Consolidated Financial Statements

We have audited the consolidated financial statements of Rasameel Investment 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 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, 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 2018 that might have had a material effect on the business of the Parent Company or on its financial position, except for the fact that the Parent Company owns investment properties of KD 1,779,318 (2017: KD 1,911,474) which is not in compliance with its primary objectives stipulated in the Parent Company's Memorandum of Incorporation and Articles of Association.

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 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENSE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

5 June 2018
Kuwait

Consolidated Statement of Profit or Loss
For the year ended 31 March 2018

	Notes	2018 KD	2017 KD
INCOME			
Management and advisory fees		522,571	452,374
Islamic finance income		1,927	58,139
Net income on investment securities	3	251,482	471,930
Net income on investment properties	4	62,244	1,059,299
Share of result of associates and a joint venture	11,12	96,636	292,733
Loss on sale of investment in associates	11	(646)	(561,487)
Gain on sale of subsidiaries		-	40,500
Reversal of impairment of Islamic finance receivables	6	18,083	22,861
Provision no longer required	6	-	163,982
Other income		2,662	133,048
		954,959	**2,133,379**
EXPENSES			
General and administrative expenses	5	1,863,555	1,643,067
Properties management and maintenance charges		276,354	291,988
Islamic finance costs		137,821	112,998
Allowance for impairment of other assets		182,289	-
		2,460,019	**2,048,053**
(LOSS) PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(1,505,060)	85,326
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		-	(1,148)
Zakat		-	(2,004)
(LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,505,060)**	**82,174**
DISCONTINUED OPERATIONS			
(Loss) profit for the year from discontinued operations	13	(17,474)	42,281
(LOSS) PROFIT FOR THE YEAR		**(1,522,534)**	**124,455**

The attached notes 1 to 24 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 KD	2017 KD
(Loss) profit for the year		**(1,522,534)**	**124,455**
Other comprehensive income (loss):			
Items to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for sale-financial assets		5,289	-
Exchange difference on translation of foreign operations		(24,357)	(49,108)
Foreign currency translation differences recycled to profit or loss on sale of an associate	11	-	(149,960)
Other comprehensive loss for the year		**(19,068)**	**(199,068)**
Total comprehensive loss for the year		**(1,541,602)**	**(74,613)**

The attached notes 1 to 24 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2018

	Notes	2018 KD	2017 KD
ASSETS			
Bank balances and cash	7	871,362	1,874,133
Financial assets at fair value through profit or loss	8	955,817	447,564
Other assets	9	1,958,652	2,763,030
Available-for-sale financial assets	10	2,837,886	1,814,021
Investment in associates and a joint venture	11,12	978,576	1,423,083
Investment properties	14	8,315,301	8,974,942
Property and equipment	15	48,415	4,372,503
		15,966,009	21,669,276
Asset held for sale	13	3,300,000	-
TOTAL ASSETS		**19,266,009**	**21,669,276**
LIABILITIES AND EQUITY			
Liabilities			
Islamic finance payables	16	1,774,292	2,595,735
Other liabilities	17	389,406	555,290
Employees' end of service benefits		431,990	321,328
Total liabilities		**2,595,688**	**3,472,353**
Equity			
Share capital	18	18,026,680	18,026,680
Statutory reserve	19	12,761	12,761
Share options reserve		7,510	7,510
Cumulative changes in fair values reserve		5,289	-
Foreign currency translation reserve		13,921	38,278
(Accumulated losses) retained earnings		(1,410,840)	111,694
Equity attributable to equity holders of the Parent Company		16,655,321	18,196,923
Non-controlling interest		15,000	-
Total equity		**16,670,321**	**18,196,923**
TOTAL LIABILITIES AND EQUITY		**19,266,009**	**21,669,276**

Dr. Fahed M. Al Rashed
Chairman

Samir A. Algharaballi
Chief Executive Officer

The attached notes 1 to 24 form part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 March 2018

	Share capital	Share options reserve	Share options reserve	Cumulative changes in fair value reserve	Foreign currency translation reserve	Retained earnings (accumulated losses)	Sub-total	Non – controlling interest	Total
	Attributable to the shareholders of the Parent Company								
	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 April 2017	18,026,680	12,761	7,510	-	38,278	111,694	18,196,923	-	18,196,923
Loss for the year	-	-	-	-	-	(1,522,534)	(1,522,534)	-	(1,522,534)
Other comprehensive income (loss) for the year	-	-	-	5,289	(24,357)	-	(19,068)	-	(19,068)
Total comprehensive income (loss) for the year	-	-	-	5,289	(24,357)	(1,522,534)	(1,541,602)	-	(1,541,602)
Non-controlling interest arising on incorporation of a subsidiary	-	-	-	-	-	-	-	15,000	15,000
As at 31 March 2018	**18,026,680**	**12,761**	**7,510**	**5,289**	**13,921**	**(1,410,840)**	**16,655,321**	**15,000**	**16,670,321**
As at 1 April 2016	21,000,000	148,297	7,510	-	237,346	(3,121,617)	18,271,536	-	18,271,536
Profit for the year	-	-	-	-	-	124,455	124,455	-	124,455
Other comprehensive loss for the year	-	-	-	-	(199,068)	-	(199,068)	-	(199,068)
Total comprehensive (loss) income for the year	-	-	-	-	(199,068)	124,455	(74,613)	-	(74,613)
Write-off of accumulated losses (Note 18)	(2,973,320)	(148,297)	-	-	-	3,121,617	-	-	-
Transfer to statutory reserve	-	12,761	-	-	-	(12,761)	-	-	-
As at 31 March 2017	**18,026,680**	**12,761**	**7,510**	**-**	**38,278**	**111,694**	**18,196,923**	**-**	**18,196,923**

The attached notes 1 to 24 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 KD	2017 KD
OPERATING ACTIVITIES			
Loss (profit) for the year before tax from continuing operations		(1,505,060)	85,326
Loss (profit) for the year before tax from discontinued operations		(17,474)	42,281
Loss (profit) for the year before tax		(1,522,534)	127,607
Adjustments to reconcile (loss) profit for the year before tax to net cash flows:			
Net income on investment securities	3	(251,482)	(471,930)
Change in fair value of investment properties	4	696,545	(168,076)
Share of results of associates and a joint venture	11,12	(96,636)	(292,733)
Loss on sale of associates	11	646	561,487
Gain on sale of property and equipment		-	(44,159)
Gain on sale of subsidiaries		-	(40,500)
Net foreign exchange gain		(806)	(35,445)
Depreciation	15	20,528	1,106,156
Provision for employees' end of service benefits		150,408	217,873
Islamic finance costs		137,821	183,260
Reversal of impairment of Islamic finance receivables	6	(18,083)	(22,861)
Provision no longer required	6	-	(163,982)
Allowance for impairment of other assets		182,289	-
Impairment loss on discontinued operations	13	139,944	-
		(561,360)	**956,697**
Working capital changes:			
Islamic finance receivables	6	18,083	22,861
Investments at fair value through profit or loss		(436,468)	(423,283)
Other assets		(1,302,018)	(666,137)
Other liabilities		831,560	(341,919)
		(1,450,203)	(451,781)
Employees' end of service benefits paid		(16,157)	(145,085)
Net cash flows used in operating activities		**(1,466,360)**	**(596,866)**

The attached notes 1 to 24 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 March 2018

	Notes	2018 KD	2017 KD
INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets		(3,931,248)	(605,192)
Proceeds from redemption of available-for-sale financial assets		2,742,961	-
Purchase of investment in associates	11	-	(1,427,579)
Proceeds from sale of investment in associates		430,435	1,447,298
Dividend received from associates	11	95,392	38,182
Proceeds from redemption of investment in a joint venture	9	1,139,450	1,169,338
Expenditure on investment property under development	14	(36,904)	-
Purchase of property and equipment	15	(18,441)	(1,635,355)
Proceeds from sale of property and equipment		-	1,139,280
Proceeds from sale of subsidiaries		-	40,500
Proceeds from redemption of held to maturity investments	3	58,432	328,098
Income received from investment deposits and saving accounts		6,485	3,518
Dividend income received		247,445	84,281
Net cash flows from investing activities		**734,007**	**582,369**
FINANCING ACTIVITIES			
Proceeds from Islamic finance payables		299,749	261,958
Repayment of Islamic finance payables		(149,870)	(558,178)
Finance costs paid		(137,821)	(183,260)
Net cash flows from (used in) financing activities		**12,058**	**(479,480)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(720,295)**	**(493,977)**
Cash and cash equivalents as at 1 April		1,874,133	2,368,110
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	7	**1,153,838**	**1,874,133**

The attached notes 1 to 24 form part of these consolidated financial statements.

Notes to The Consolidated Financial Statements
As at 31 March 2018

1. CORPORATE INFORMATION

The consolidated financial statements of Rasameel Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Parent Company's board of directors on 5 June 2018. The shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Group's annual consolidated financial statements for the year ended 31 March 2017 were approved by the shareholders of the Parent Company at the ordinary annual general assembly held on 19 September 2017. No dividends were declared by the Parent Company.

The Parent Company is regulated by the Central Bank of Kuwait (CBK) as an investment and finance company and is subject to the supervision of Capital Markets Authority (CMA).

The Parent Company is a closed shareholding company incorporated in the State of Kuwait on 4 January 2006 and is principally engaged in the provision of investment and financial services in accordance with the Islamic Sharia'a principles as approved by the Group's Fatwa and Sharia'a Supervision Board.

The Parent Company's head office is located at the 13th floor, Ahmad Tower, Gulf Road, Dasman, Sharq, and its registered postal address is P.O. Box 4915, Safat 13050, State of Kuwait.

The Parent Company's primary objectives comprise the following:

- 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 services to invest in various sectors inside and outside the State of Kuwait in accordance with the provisions of the Islamic Sharia'a; and
- Providing and preparing studies and technical, economic and valuation consultancy.

Notes to The Consolidated Financial Statements
As at 31 March 2018

Information on the Group's structure is provided in Note 2.2. Information on other related party relationships of the Group is provided in Note 20.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations include a requirement by the CBK for adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for a collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision on all applicable credit facilities that are not provided specifically.

The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

These consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss, available-for-sale financial assets and investment properties that have been measured at fair value.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 March 2018.

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 financial statements 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.

Notes to The Consolidated Financial Statements
As at 31 March 2018

Information about subsidiaries

The consolidated financial statements of the Group include:

Name of entity	% equity interest 2018	% equity interest 2017	Principal activities	Country of incorporation
Rasameel International for Credit Facilities W.L.L. [(a)]	98	98	Credit facilities	Kuwait
Rasameel International Holding K.S.C.C. [(a)]	99	99	Holding company	Kuwait
Haikala Holding W.L.L. [(a)]	99	99	Holding company	Bahrain
Rasameel Structuring and General Trading Company L.L.C. [(a)]	99	99	General trading	UAE
Rasameel Investment House Limited	100	100	Consultancy services and investment business	UAE
Rasameel International Real Estate Company K.S.C.C. [(a)]	90	90	Real Estate investments	Kuwait
Rasameel Motors for General Trading & Contracting Company W.L.L. [(b)]	99	99	General trading and contracting	Kuwait
Yasserha Company for Buying and Selling Shares, Bonds, Lands and Real Estate W.L.L. [(c)]	70	-	General trading and Real Estate investments	Kuwait

(a) *The Group effectively owns 100% equity interest in these entities. Accordingly, the consolidated financial statements have been prepared on this basis. The ownership of remaining equity interest of each subsidiary is inter-owned by the subsidiaries.*

(b) *During the year, the Group classified all the assets and liabilities of the subsidiary as held for sale (Note 13).*

(c) *Acquired during the year. The subsidiary has not commenced commercial operations as of 31 March 2018.*

2.3 CHANGE IN ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in previous year, except for the adoption of the amendments to the existing standards relevant to the Group, effective as of 1 April 2017, the nature and impact of the amendments are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The application of this amendment is fully given in the consolidated statement of cash flows.

Annual Improvements Cycle - 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 31 March 2018, the Group classified its interest in Rasameel Motors for General Trading and Contracting Company W.L.L, a wholly-owned subsidiary, as held for sale (Note 13), but these amendments did not affect the Group's consolidated financial statements.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 '*Financial Instruments*' that replaces IAS 39 '*Financial Instruments: Recognition and Measurement*' and all previous

Notes to The Consolidated Financial Statements
As at 31 March 2018

versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During year, the Group has performed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the next financial year, when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity except for the effect of applying the classification and measurement requirements of IFRS 9 as discussed below.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Based on management's assessment:

- Certain unquoted equity securities currently held as as available-for-sale (AFS) of KD 2,726,046 that are not traded in an active market and cannot be reliably measured at fair value are stated at cost net of impairment. This requirement for unquoted equity investments is not replicated in IFRS 9. Instead, all equity investments stated at cost must be measured at fair value. Under IFRS 9, the Group will designate these investments as FVOCI with any difference between the previous carrying amount and the fair value recognised in OCI at the date of initial application. Impairment losses of KD 996,108 recognised in profit or loss during prior periods for these investments will be reclassified from retained earnings to OCI on initial application.
- Certain financial assets classified as AFS amounting to KD 110,840 with gains and losses recorded in OCI mainly representing the Group's investment in funds will instead, be measured at FVPL. The cumulative changes in fair value related to those

funds amounting to KD 5,289 which are currently recognised in OCI and accumulated in a separate reserve within equity, will be reclassified to retained earnings on initial application.

- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments will continue to be measured at amortised cost under IFRS 9.

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Group has not designated any financial liabilities at FVPL. Therefore, this requirement has not had an impact on the Group.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all its investments, loans and receivables, either on a 12 month or lifetime basis. The Group will apply a simplified approach and record lifetime expected losses on all receivables which management has assessed will not have a material impact on the consolidated financial statements of the Group.

(c) Hedge accounting

The management does not expect any impact on the financial statements of the Group resulting from hedge accounting under IFRS 9 as currently, the Group has not entered into any such instruments.

(d) Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group's assessment included an analysis to identify data gaps against current process and the Group is in process of implementing the system and controls changes that it believes will be necessary to capture the required data.

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IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising 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 or after 1 January 2018 with early adoption permitted. The Group plans to adopt the new standard on the required effective date but does not expect any significant impact of this standard on its consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

During 2019, the Group will continue to evaluate the potential effect of IFRS 16 on its consolidated financial statements.

Transfers of Investment Property — Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

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 profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

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, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment, excluding discounts and rebates. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

- Management, arrangement and advisory fees are recognised when earned upon the performance of the services.
- Islamic finance income are recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.
- Dividend income is recognised when the Group's right to receive payment is established.
- Revenue from saving accounts are recognised as the profit accrues.

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- Gain 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 arising from operating leases on investment properties 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 lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

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.

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 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 before contribution to KFAS and Directors' remuneration in accordance with the Ministry of Finance resolution No. 58/2007.

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.

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, accounts receivable, or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, Islamic financing receivables, financial assets at fair value through profit or loss, other assets and available-for-sale financial assets

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Bank balances and cash

Bank balances and cash are defined as bank balances and cash held with a financial institution.

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Islamic finance receivables

Islamic financing receivables consist of consumer financing and murabaha receivables. 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.

Murabaha receivables are carried at amortised cost including provision for impairment, if any, and are presented net of deferred income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes 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. Financial assets are designated at fair value through profit or loss at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in profit or loss.

The Group evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Other assets

Other assets are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Financial assets available for sale

Financial assets available for sale include equity. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

Financial assets available for sale are initially recognised at cost (including transaction costs associated with the acquisition of the investment) and after initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair value in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair value reserve and recognised in profit or loss. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Derecognition of financial assets

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.

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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.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine, whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. A financial asset, or a group of financial assets are impaired if there is any objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in profit or loss.

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in profit or loss;

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

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

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

Financial assets available for sale

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

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is to be evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from cumulative changes in fair value and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; an increase in their fair value after impairment loss is recognised directly in other comprehensive income.

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 liabilities.

Subsequent measurement

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

Islamic finance payables

Islamic finance payables represent financing agreements whereby the Group takes certain amount of cash from other parties, and invests it according to specific conditions in return for certain fee (percentage of the amount invested). Finance charges are accounted on a time proportion basis.

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.

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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 profit or loss.

Fair values

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 principal or the most advantageous market must be accessible to by the Group.

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.

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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is 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.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investments and other appropriate valuation models.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is measured at cost, subject to impairment testing.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 24.

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, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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Investment in associates and a joint venture

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investment in its associates and a joint venture is accounted for using the equity method.

Under the equity method, the investment in associates or a joint venture 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 or joint venture 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.

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

The financial statements of the associate and joint venture 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 and joint venture'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 recognise an additional impairment loss on the Group's investment in its associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in the impairment in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate or join venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

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 the lower of two valuations.

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 and equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any.

Depreciation is calculated on a straight line basis over the estimated useful lives of

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other assets or over the lease term of leased motor vehicles whichever is less as follows:

• Leasehold improvements	20 years
• Furniture and fixtures	5 years
• Equipment	5 years
• Computer software	5 years

The carrying values of property 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 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 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.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

  Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit from discontinued operations in profit or loss.

Additional disclosures are provided in Note 13. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Employees' end of service benefits

The Group provides end of service benefits to all its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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Foreign currencies translation

The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, designated at fair value through profit or loss, or available for sale.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as designated at fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported in the regular management accounts, they are classified as at fair value through profit or loss.

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

Classification of real estate

Management decides on acquisition of a developed and under development property whether it should be classified as investment property, trading property or property and equipment.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property if it is acquired or developed for generating rental income or for capital appreciation, or for undetermined future use. The Group classifies property as property and equipment when it is acquired for owner occupation.

Assets held for sale

On 7 May 2018, the Parent Company sold its entire ownership interest in Rasameel Motors for General Trading and Contracting Company W.L.L. ("Rasameel Motors"), wholly owned subsidiary. Accordingly, the Group classified its investment in Rasameel Motors as discontinued operations as at 31 March 2018. Since the management of the Group considered the subsidiary to meet the criteria to be classified as held for sale at the reporting date for the following reasons:

- The subsidiary is available for immediate sale and can be sold to the buyer in its current condition.
- The subsidiary has been disposed subsequent to the reporting date.

For more details on discontinued operations, refer to Note 13.

Estimation and assumptions

The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of available-for-sale financial assets

The Group treats equity available-for-sale financial assets 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, the future cash flows, and the discount factors for unquoted equities.

Impairment of associates and a joint venture

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 associates companies and a joint venture, at each reporting date based on existence of any objective evidence that the investment in the associates r a joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint venture and its carrying value and recognises the amount in profit or loss.

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;
- earnings multiple or industry specific 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, if any (Note 10).

Valuation of investment properties

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

Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation would be adjusted where the management believes the useful lives differ from previous estimates.

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Impairment of property and equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

3. NET INCOME ON INVESTMENT SECURITIES

	2018 KD	2017 KD
Unrealised gain on financial assets at fair value through profit or loss	63,244	10,790
Realised gain on sale of financial assets at fair value through profit or loss	8,541	13,491
Realised gain on sale of available-for-sale financial assets	54,533	-
Gain on redemption of held to maturity investment *	-	386,530
Impairment loss on available-for-sale financial assets	(128,766)	-
Dividend income	247,445	57,601
Income from investment deposits and saving accounts	6,485	3,518
	251,482	**471,930**

* *In prior years, the Group had an investment classified as held to maturity of KD 864,715, which represented Islamic Sukuk. Due to the default by the Sukuk issuer, the Group had recorded full impairment against the investment of KD 864,715 in profit or loss in prior years.*

During the year ended 31 March 2017, the management of the Group entered into a settlement agreement with the Sukuk issuer and agreed to new terms for settlement. Accordingly, the Group received a partial redemption during the year ended 31 March 2017 of KD 328,098 and subsequent to the reporting date, an additional redemption of KD 58,432 was received. Accordingly, the Group has recognised total gain of KD 386,530 as a gain on redemption of held to maturity investment.

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4. NET INCOME ON INVESTMENT PROPERTIES

	2018 KD	2017 KD
Rental income	758,789	891,223
Change in fair value of investment properties (Note 14)	(696,545)	168,076
	62,244	**1,059,299**

5. GENERAL AND ADMINISTRATIVE EXPENSES

	2018 KD	2017 KD
Staff costs and benefits	1,219,455	1,159,265
Rent expenses	149,776	136,929
Depreciation of property and equipment (Note 15)	20,528	20,849
Portfolio management and collection charges	2,165	2,068
Professional and legal fees	154,245	58,507
Other expenses	317,386	265,449
	1,863,555	**1,643,067**

6. ISLAMIC FINANCE RECEIVABLES

The movement of Islamic finance receivables during the year was as follows:

	2018 KD	2017 KD
At the beginning of the year	197,516	220,377
Repayments	(18,083)	(22,861)
At the end of the year	**179,433**	**197,516**

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As at 31 March 2018, Islamic finance receivables at nominal value of KD 179,433 (2017: KD 197,516) were past due or impaired.

Movements in the general and specific provisions for impairment losses of Islamic finance receivables were as follows:

	General		Specific		Total	
	2018	2017	2018	2017	2018	2017
	KD	KD	KD	KD	KD	KD
At the beginning of the year	-	-	197,516	220,377	197,516	220,377
Reversed during the year	-	-	(18,083)	(22,861)	(18,083)	(22,861)
At the end of the year	**-**	**-**	**179,433**	**197,516**	**179,433**	**197,516**

* In prior years, the Group contributed for its equity interest of 50% in Rasameel Auto Lease 1 (joint venture), through the transfer of Murabaha finance receivables of KD 2,335,754 (contribution in kind) and transfer of cash consideration of KD 629,171 (Note 12). In compliance with the Central Bank of Kuwait's instructions, the Group has provided a general provision of KD 140,000 and an additional provision of KD 23,982 for Murabaha finance receivables balance transferred to a joint venture. As a result, the Group reclassified the total provision of KD 163,982 related to the Murabaha finance receivables to other liabilities within the consolidated statement of financial position.

During the year ended 31 March 2017, the joint venture has fully recovered the above Murabaha finance receivables and the Group has fully redeemed its interest in the joint venture. As a result, the Central Bank of Kuwait has approved the reversal of the general provision of KD 163,982. Accordingly, the Group has recognised the reversal of provision in profit or loss as provision no longer required.

7. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2018 KD	2017 KD
Bank balances and cash as per the consolidated statement of financial position	871,362	1,874,133
Cash at banks and on hand attributable to discontinued operations (Note 13)	282,476	-
Cash and cash equivalents	**1,153,838**	**1,874,133**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 KD	2017 KD
Local quoted securities	66,161	26,965
Local unquoted securities	11,300	11,300
Foreign quoted equity securities	878,356	409,299
	955,817	**447,564**

Foreign quoted equity securities are held in a portfolio managed by specialized investment manager.

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9. OTHER ASSETS

	2018 KD	2017 KD
Receivable from redemption of interest in a joint venture (Note 12)	-	1,139,450
Vehicle lease receivables	-	670,502
Accrued income	240,336	161,852
Staff receivables	10,426	19,524
Advance, deposits and prepayments	86,798	92,047
Receivables in relation to asset held for sale *	963,563	-
Other receivables	657,529	679,655
	1,958,652	**2,763,030**

As at 31 March 2018, other assets at nominal value of KD 182,289 (2017: Nil) were impaired.

* On 7 May 2018, the Parent Company sold its entire equity interest in Rasameel Motors for General Trading and Contracting Company W.L.L. ("Rasameel Motors"), a wholly owned subsidiary. Accordingly, the Group classified its investment in Rasameel Motors as discontinued operations as at 31 March 2018. Following the classification, the Group recorded the amounts due from subsidiary as "receivables in relation to asset held for sale" in the Group's consolidated statement of financial position as at 31 March 2018 (Note 13).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 KD	2017 KD
Unquoted close-ended fund	111,840	106,551
Unquoted equity securities	2,726,046	1,707,470
	2,837,886	**1,814,021**

Unquoted close ended fund with a carrying value of KD 111,840 (2017: KD 106,551) is measured at fair value at the end of the year based on the net assets value ("NAV") of the investee, using the latest available financial information. The Group determined that NAV represents the fair value at the end of the reporting period.

As at 31 March 2018, unquoted equity securities of KD 2,726,046 (2017: KD 1,707,470) are measured at cost, subject to impairment testing. These equity investments do not have a quoted price in an active marke and whose fair value can not be measured reliably as there is significant variability in the range of reasonable fair value estimates and the probability of the various estimates within the range cannot be assessed reasonably.

The Group's management has performed a detailed review of its unquoted equity securities based on the latest available financial information of these investments to assess whether impairment has occurred in the value of these investments and, as a result, KD 128,766 (2017: Nil) was recognised as an impairment loss within "net income on investment securities" in profit or loss (Note 3).

During the year ended 31 March 2018, the Group sold certain available-for-sale financial assets carried at KD 2,688,428 for a consideration of KD 2,742,961. The resultant gain of KD 54,533 is recognised within "net income on investment securities" in profit or loss (Note 3).

11. INVESTMENT IN ASSOCIATES

Details of the Group's associates are as follow:

		Equity interest		Carrying value	
Name of entity	Country of incorporation	2018 %	2017 %	2018 KD	2017 KD
Emerald Portfolio, LTD	Cayman Islands	17.63	25.25	673,130	972,839
Emerald Holding, LTD	Cayman Islands	17.20	24.89	305,446	450,244
				978,576	1,423,083

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The following table illustrates the movement in investment in associates:

	2018 KD	2017 KD
At the beginning of the year	1,423,083	2,024,668
Purchase of investment in associates	-	1,427,579
Share of results	96,636	173,022
Disposals	(431,081)	(2,008,785)
Dividend received	(95,392)	(38,182)
Foreign currency translation adjustment	(14,670)	(5,259)
Foreign currency translation adjustment on sale of an associate	-	(149,960)
	978,576	**1,423,083**

The following table illustrates summarised financial information of the Group's investment in its associates:

	Emerald Portfolio, LTD KD	Emerald Holding, LTD KD	2018 KD	2017 KD
Assets	3,909,900	1,776,019	5,685,919	5,719,912
Liabilities	(91,389)	(18)	(91,407)	(59,059)
Equity	**3,818,511**	**1,776,001**	**5,594,512**	**5,660,853**
Proportion of the Group's ownership	17.63%	17.20%	-	-
Carrying value of the investment	**673,130**	**305,446**	**978,576**	**1,423,083**

	Emerald Portfolio, LTD	Emerald Holding, LTD	2018	2017
	KD	KD	KD	KD
Associates' results for the year				
Revenue	518,741	-	518,741	176,086
Profit for the year	480,521	-	480,521	154,215
Group's share of results for the year	96,636	-	96,636	38,945

During the year ended 31 March 2018, the Group made a partial disposal of its equity interest in Emerald Portfolio LTD and Emrald Holding LTD, to a third party for total cash consideration of KD 430,435 with the resultant loss of KD 646 recognised in profit or loss.

During the year ended 31 March 2017, the Group disposed its entire equity interest in Muharraq Mall Company L.L.C. ("Muharraq Mall"), an associate of the Group, to a third party for cash consideration of BD 1,800,000 (equivalent to KD 1,447,298) with the resultant loss of KD 561,487 recognised in profit or loss.

12. INTEREST IN A JOINT VENTURE

This represents a 50% interest in "Rasameel Auto Lease 1", a joint venture involved in financing activities. The Group's interest in Rasameel Auto Lease 1 is accounted for using the equity method in the consolidated financial statements.

During the year ended 31 March 2017, the Group has fully redeemed its interest in Rasameel Auto Lease 1. Consequently, the Group's proceeds from redemption have been classified as a "receivable from full redemption of interest in a joint venture" within other assets as of 31 March 2017 (Note 9).

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The following table illustrates the movement in interest in a joint venture:

	2018 KD	2017 KD
As at the beginning of the year	-	2,189,077
Share of results for the year	-	119,711
Proceeds from partial redemption of interest in a joint venture	-	(1,169,338)
Receivable from full redemption of interest in a joint venture (Note 9)	-	(1,139,450)
	-	-

13. DISCONTINUED OPERATIONS

On 12 February 2018, the Board of Directors resolved to sell the Group's entire equity interest in Rasameel Motors for General Trading and Contracting Company W.L.L. ("Rasameel Motors"), a wholly owned subsidiary. The sale of Rasameel Motors is expected to be completed within one year from the reporting date. At 31 March 2018, Rasameel Motors was classified as a disposal group held for sale and as a discontinued operations. Following the classification, the Group recognised an impairment loss of KD 139,944 related to the subsequent write down of the discontinued group to fair value less costs to sell.

Subsequent to the reporting date, the Group sold its entire equity interest in Rasameel Motors to an unrelated third party for a total cash consideration of KD 3,300,000 repayable in five instalments, commencing on 7 May 2018.

The major classes of assets and liabilities of Rasameel Motors classified as held for sale as at 31 March are, as follows:

	KD
Total assets	
Property, plant and equipment	4,152,671
Accounts and other receivables	1,271,472
Cash and cash equivalents (Note 7)	282,476
Assets directly associated with the discontinued operations	5,706,619
Total liabilities	
Trade and other payables	1,749,561
Islamic finance payables	517,114
Liabilities directly associated with the discontinued operations	2,266,675
Net assets relating to discontinued operations	**3,439,944**
Sale consideration	**3,300,000**
Impairment loss on discontinued operations	139,944

The profit for the year from discontinued operations is as follows:

	2018 KD	2017 KD
Revenue from vehicles rental	2,178,849	1,774,374
Cost of vehicles rental	(1,631,775)	(1,060,846)
Other income	61,193	55,021
General and Administrative expenses	(485,797)	(726,268)
Profit for the year from discontinued operations	**122,470**	**42,281**
Impairment loss on discontinued operations	(139,944)	-
(Loss) profit for the year from discontinued operations	**(17,474)**	**42,281**

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14. INVESTMENT PROPERTIES

	2018 KD	2017 KD
As at the beginning of the year	8,974,942	8,806,866
Development costs	36,904	-
Change in fair value	(696,545)	168,076
As at the end of the year	8,315,301	8,974,942

Investment properties are categorised into:

	2018 KD	2017 KD
Properties under development	39,790	275,025
Completed properties	8,275,511	8,699,917
	8,315,301	**8,974,942**

The fair value of investment properties is determined based on valuations carried out by two independent registered real estate appraisers using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitlisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed a decrease of KD 696,545 compared to its carrying values as at 31 March 2018 (2017: increase of KD 168,076).

More information about the fair value measurement disclosures is set out in note 24.

As at 31 March 2018, the Group has certain investment properties, which were under construction of KD 39,790 (2017: KD 275,025). Therefore, these investment properties are carried at cost less impairment because fair value cannot be reliably measured.

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The significant assumptions made relating to valuation of the developed properties, that have been valued using the income capitalisation approach, are set out below:

	2018	2017
Average rent per month (per sqm) (KD)	16.6	16.6
Yield rate	11.77%	10.95%
Vacancy rate	20.7%	6.8%

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties.

	Changes in valuation assumptions	Impact on profit (loss) for the year	
		2018	2017
		KD	KD
Average rent	± 5%	434,824	426,592
Yield rate	± 5%	414,118	406,278
Vacancy rate	± 5%	434,824	426,592

Certain investment properties with fair value of KD 1,779,318 (2017: KD 1,911,474) are pledged against Islamic finance payables (Note 16).

15. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Equipment	Computer software	Leased motor vehicles	Total
	KD	KD	KD	KD	KD	KD
Cost						
As at 1 April 2017	198,052	175,515	224,261	138,613	6,100,577	6,837,018
Additions during the year	4,000	7,695	6,746	-	-	18,441
Assets held for sale (Note 13)	(69,903)	(20,505)	(54,484)	(19,417)	(6,1005,77)	(6,264,886)
As at 31 March 2018	**132,149**	**162,705**	**176,523**	**119,196**	**-**	**590,573**
Depreciation						
As at 1 April 2017	119,510	161,631	180,965	133,846	1,868,563	2,464,515
Charge for the year	5,475	3,539	10,293	1,221	-	20,528
Assets held for sale (Note 13)	(12,010)	(13,771)	(31,726)	(16,815)	(1,868,563)	(1,942,885)
As at 31 March 2018	**112,975**	**151,399**	**159,532**	**118,252**	**-**	**542,158**
Net book value						
As at 31 March 2018	19,174	11,306	16,991	944	-	48,415

	Leasehold improvements	Furniture and fixtures	Equipment	Computer software	Leased motor vehicles	Total
	KD	KD	KD	KD	KD	KD
Cost						
As at 1 April 2016	190,177	166,565	203,452	136,077	6,141,679	6,837,950
Additions during the year	7,875	8,950	20,809	2,536	1,595,185	1,635,355
Disposals during the year	-	-	-	-	(1,636,287)	(1,636,287)
As at 31 March 2017	198,052	175,515	224,261	138,613	6,100,577	6,837,018
Depreciation						
As at 1 April 2016	110,382	155,188	159,240	125,832	1,348,883	1,899,525
Charge for the year	9,128	6,443	21,725	8,014	1,060,846	1,106,156
Relating to the disposals	-	-	-	-	(541,166)	(541,166)
As at 31 March 2017	119,510	161,631	180,965	133,846	1,868,563	2,464,515
Net book value						
As at 31 March 2017	78,542	13,884	43,296	4,767	4,232,014	4,372,503

The depreciation charged has been allocated in profit or loss as follows:

	2018 KD	2017 KD
General and administrative expenses (Note 5)	20,528	20,849
Related to discontinued operations	-	1,085,307
	20,528	1,106,156

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16. ISLAMIC FINANCE PAYABLES

2018	Ijara KD	Murabaha KD	Total KD
Gross amount	1,930,484	301,841	2,232,325
Less: deferred finance costs	(455,942)	(2,091)	(458,033)
	1,474,542	**299,750**	**1,774,292**

2017	Ijara KD	Murabaha KD	Total KD
Gross amount	2,189,782	1,002,177	3,191,959
Less: deferred finance costs	(565,370)	(30,854)	(596,224)
	1,624,412	**971,323**	**2,595,735**

Ijara payables carry an average profit rate of 6.50% (2017: 6.65 %) per annum and are repayable in equal instalments of AED 218,294 (equivalent to KD 17,900) with the last instalment payable on 15 December 2026.

Murabaha payables carry an average rate of 9% (2017: average rate of 5.5%) per annum with the last instalment payable on 17 April 2018.

Islamic finance payables of KD 1,930,484 (2017: KD 2,189,782) are secured by certain investment properties of KD 1,779,318 (2017: KD 1,911,474) (Note 14).

17. OTHER LIABILITIES

	2018	2017
	KD	KD
Accrued expenses	83,943	87,120
Provision for Zakat and KFAS	-	3,152
Payable to suppliers	21,496	134,657
Rent received in advance	18,726	18,913
Refundable deposits	26,984	34,405
Other liabilities and accruals	238,257	277,043
	389,406	**555,290**

18. SHARE CAPITAL

	2018	2017
	KD	KD
Authorised, issued and fully paid shares at KD 0.100 each, paid in cash	18,026,680	18,026,680

* On 9 February 2017, the Parent Company's Commercial Registration No. 111611 was amended to reflect the decision of the Extra-Ordinary General Assembly meeting held on 9 January 2017 to extinguish the Parent Company's accumulated losses as at 31 March 2016 of KD 3,121,617 against the statutory reserve and share capital of KD 148,297 and KD 2,973,320, respectively.

19. STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such

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transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. During the years ended 31 March 2018 and 31 March 2017, no transfer has been made to statutory reserve, since losses have been incurred for the years.

20. RELATED PARTY TRANSACTIONS

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

Transactions with related parties included in profit or loss are, as follows:

	Other related parties KD	Total 2018 KD	Total 2017 KD
Management and advisory fees	8,743	8,743	98,530

Compensation of key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The aggregate value of transactions and outstanding balances related to key management personnel were as follows:

	Transaction values for the year ended 31 March		Balance outstanding as at 31 March	
	2018	2017	2018	2017
	KD	KD	KD	KD
Salaries and short-term benefits	411,005	394,869	103,270	59,702
Post-employment benefits	43,271	43,119	115,195	71,924
	454,276	**437,988**	**218,465**	**131,626**

21. 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.

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The maturity profile of assets and liabilities is as follows:

2018	On demand KD	Within 3 months KD	3 to 12 months KD	Over 1 year KD	Total KD
ASSETS					
Bank balances and cash	871,362	-	-	-	871,362
Financial assets at fair value through profit or loss	-	955,817	-	-	955,817
Other assets	15,955	185,961	1,668,889	87,847	1,958,652
Available-for-sale financial assets	-	-	-	2,837,886	2,837,886
Investment in associates	-	-	-	978,576	978,576
Investment properties	-	-	-	8,315,301	8,315,301
Property and equipment	-	-	-	48,415	48,415
Asset held for sale	-	400,000	2,900,000	-	3,300,000
TOTAL ASSETS	**887,317**	**1,541,778**	**4,568,889**	**12,268,025**	**19,266,009**

	On demand KD	Within 3 months KD	3 to 12 months KD	Over 1 year KD	Total KD
LIABILITIES					
Islamic finance payables	9,329	318,408	83,961	1,362,594	1,774,292
Other liabilities	34,111	65,809	70,712	218,774	389,406
Employee's end of service benefits	-	-	-	431,990	431,990
TOTAL LIABILITIES	**43,440**	**384,217**	**154,673**	**2,013,358**	**2,595,688**

2017	On demand KD	Within 3 months KD	3 to 12 months KD	Over 1 year KD	Total KD
ASSETS					
Bank balances and cash	1,874,133	-	-	-	1,874,133
Financial assets at fair value through profit or loss	-	447,564	-	-	447,564
Other assets	1,179,742	229,046	1,228,803	125,439	2,763,030
Available-for-sale financial assets	-	-	-	1,814,021	1,814,021
Investment in associates	-	-	-	1,423,083	1,423,083
Investment properties	-	-	-	8,974,942	8,974,942
Property and equipment	-	-	-	4,372,503	4,372,503
TOTAL ASSETS	**3,053,875**	**676,610**	**1,228,803**	**16,709,988**	**21,669,276**

	On demand KD	Within 3 months KD	3 to 12 months KD	Over 1 year KD	Total KD
LIABILITIES					
Islamic finance payables	-	123,658	570,310	1,901,767	2,595,735
Other liabilities	-	348,844	49,047	157,399	555,290
Employee's end of service benefits	-	-	-	321,328	321,328
TOTAL LIABILITIES	**-**	**472,502**	**619,357**	**2,380,494**	**3,472,353**

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Parent Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Credit risk

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

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

Maximum exposure to credit risk

The Group's policy is to enter into Islamic financing arrangements only with recognised, creditworthy third parties. The maximum aggregate exposure is the gross amount as disclosed in (Notes 7, 9 and 13). 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 finance 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	
	2018	2017
	KD	KD
Bank balances and cash	871,362	1,874,133
Other assets	1,958,652	2,763,030
Assets held for sale	3,300,000	-
	6,130,014	4,637,163

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

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

For Islamic finance receivables and other assets, 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 finance 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 bank balances and cash 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.

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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
2018				
Islamic finance payables	353,615	152,140	1,726,570	2,232,325
Other liabilities (excluding rent received in advance)	73,714	77,577	218,773	370,064
	427,329	**229,717**	**1,945,343**	**2,602,389**
2017				
Islamic finance payable	160,819	663,451	2,367,689	3,191,959
Other liabilities (excluding rent received in advance)	330,130	49,047	157,200	536,377
	490,949	**712,498**	**2,524,889**	**3,728,336**

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.

The effect on the Group's results for the year (as a result of a change in the fair value of investments 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 2018		31 March 2017	
Market indices	Change in equity price	Effect on the results of the year	Change in equity price	Effect on the results of the year
	%	KD	%	KD
Kuwait	5%	3,308	+5	1,913
GCC	5%	9,580	+5	3,927
Others	5%	34,338	+5	624

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

Foreign currency risk

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

Foreign 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 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:

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	31 March 2018			31 March 2017		
	Change in currency rate	Effect on profit or loss	Effect on OCI	Change in currency rate	Effect on profit or loss	Effect on OCI
Currency	%	KD	KD	%	KD	KD
US Dollar	+5	9,236	10,675	+5	16,260	71,154
AED	+5	46,904	40,952	+5	62,090	-
Bahraini Dinar	+5	103	24,168	+5	5,895	-
GBP	+5	24,499	44,949	+5	1,491	-

An equivalent decrease would have resulted in an equal but opposite effect on the accounts shown above, on the basis that other variables remain constant.

23. 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 shareholders 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 objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio at acceptable levels. The Group includes within net debt, Islamic finance payables and other liabilities (excluding rent received in advance), less bank balances and cash.

	2018 KD	2017 KD
Islamic finance payables	1,774,292	2,595,735
Other liabilities	370,680	536,377
Less: Bank balances and cash	(871,362)	(1,874,133)
Net debt	**1,273,610**	**1,257,979**
Equity attributable to the equity holders of the Parent Company	16,655,321	18,196,923
Capital and net debt	**17,928,931**	**19,454,902**
Gearing ratio	7%	6%

24. FAIR VALUE MEASUREMENT

The Group measures financial assets such as investment securities and non-financial assets such as investment properties, at fair value at each reporting date.

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

Fair value hierarchy

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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
As at 31 March 2018				
Financial assets at fair value through profit or loss:				
Local quoted securities	66,161	-	-	66,161
Foreign quoted equity securities	878,356	-	-	878,356
Available-for-sale financial assets				
Unquoted fund	-	111,840	-	111,840
Investment properties	-	-	8,275,511	8,275,511
	944,517	111,840	8,275,511	9,331,868

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
As at 31 March 2017				
Financial assets at fair value through profit or loss:				
Local quoted securities	26,965	-	-	26,965
Foreign quoted equity securities	409,299	-	-	409,299
Available-for-sale financial assets				
Unquoted fund	-	106,551	-	106,551
Investment properties	-	-	8,699,917	8,699,917
	436,264	106,551	8,699,917	9,242,732

The above table does not include KD 11,300 and KD 2,726,046 (2017: KD 11,300 and KD 1,707,470) of unquoted equity securities classified at fair value through profit or loss and available-for-sale financial assets, respectively whose fair value cannot be measure reliably.

There were no transfers between levels of the fair value hierarchy during 2018 and 2017.

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:

	As at 1 April	Changes in fair value	Net purchases, sales, transfers and settlements	As at 31 March
31 March 2018	KD	KD	KD	KD
Assets measured at fair value				
Investment properties	**8,699,917**	**(696,545)**	**272,139**	**8,275,511**
31 March 2017				
Assets measured at fair value				
Investment properties	8,531,841	168,076	-	8,699,917

Description of valuation methods:

Non-financial assets

Investment properties

Properties under development

Properties under development are carried at cost less impairment because its fair value could not be reliably measured due to the unique nature of these investment properties and due to lack of transaction activity in the market.

Developed properties

Developed properties are valued using the income capitalization approach, which is based on capitalization of the discounted annual cash flows from the property, which is calculated by discounting rental income generated annually by the property using the current market discount rate. Details of inputs to the valuation and sensitivity analysis are provided in Note 14.