Annual Report
2020

بسم الله الرحمن الرحيم

Rasameel Investment Co. (K.S.C.C.)
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HH Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Emir of the State of Kuwait

HH Sheikh

Mishal Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

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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 myself and my 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 2020, 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 Shari'a Supervisory Board report and the company's independent auditors' report. The report also includes an overview of the most prominent global, regional and local economic developments.

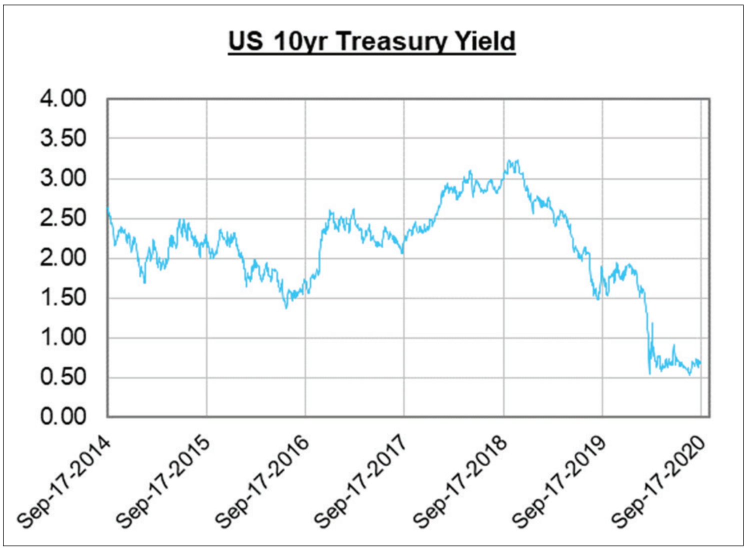
Rasameel's activities and operations focus mainly on asset management and alternative investments. These two departments are currently working on providing the best investment opportunities and solutions for our clients. The Asset Management Department provides Shari'a compliant equity and sukuk investment services in the form of portfolios and funds. Thanks to our team of experts, Rasameel is also one of the few companies in the region that has the ability to manage Shari'a compliant international equity investments. The company's asset management Department can manage portfolios and funds in any major stock market or sector, as well as investments designed to meet clients' needs and requirements.

The Alternative Investment Department focuses on real estate investment products in both the GCC countries and in the international markets. This department uses strict criteria to select the best real estate investments that provide monthly returns to the company and its clients. Rasameel's alternative investment team supervises the management of all real estate investments.

The year in review

The fiscal year ending March 2020 was characterized by incredible and unforeseen turbulence, across both the global economy and asset markets. It was a year of two distinct periods – a relatively stable, though slow late cycle economy, with equity markets in the US rallying to new highs, followed by what can only be described as something akin to a depression as COVID-19 hit and economies went into lockdown.

The fiscal year started well enough, though there were indications that we were in late cycle. For instance, GDP growth in the US was struggling to exceed 2%, the labor market was running at full employment, and manufacturing/services PMIs had started to deteriorate. Elsewhere, major economies in Europe experienced anemic growth, with some narrowly avoiding recessions. This was further exacerbated by reciprocal



trade spats between the US and China, which put a strain on global trade. Sovereign bond yields in the US were already coming off their highs as we entered the fiscal year, with the US 10-year Sovereign bond yield falling from c.2.5% to around 2% towards the end of 2019. In terms of the equity markets, there was an extended period of volatility as trade talks went back and forth between the US and China. It was not until Jan 2020, when the Phase 1 deal was signed, that markets finally breathed a sigh of relief. The global equity markets rallied strongly through most of the year, peaking around mid-February 2020, just before the COVID-19 pandemic hit. In our view, the equity market was expensive, particularly the US market. The Shiller P/E ratio of the S&P 500 stood at 31.1x, significantly higher than the all-time historical average of 17.1x and even 21% higher the 20 year average of 25.7x.

And then the COVID-19 pandemic hit.

We first started seeing signs of the Virus in Wuhan, China in early January 2020. Its spread was extremely rapid with a case being detected in Thailand by mid-January. China was very quick to lockdown Wuhan and other major cities followed, but with global travel the virus spread rapidly to other countries and by March 11 the WHO declared it a pandemic. Given the rising cases and the high mortality rate, countries took counter measures to slow its spread and imposed widespread lockdowns. This in turn lead to an economic slowdown of epic proportions, something not seen since the great depression of 1930s.

Unemployment in the US shot up from historically low levels below 4% up to 14.7%. Major US indices saw the fastest ever fall from record levels into a bear market, with the global equity market, and the S&P 500, plunging by around 35% between February and March. Sovereign bond yields collapsed, with the US 10Yr rate falling from around 2% in January to just less than 0.6% by March. It was a similar story across all the major bond markets. The corporate credit markets were also impacted, with yields rising significantly as the market started to price in a significant rise in bankruptcies.

There was a significant global response by the governments and central banks, to avert some of the pressures caused by the lockdowns. In the USA, for example, the government and Fed took extreme measures to weather the turmoil by cutting interest rates to zero, from an already low level of 1.5%, and approved a significant stimulus package. Stimulus checks were sent to over 150 million Americans, and around half a trillion dollars in loans were provided to small businesses. These were done through the commercial banks and were non-recourse.

Furthermore, the Fed's balance sheet grew by over $3 trillion in the span of 3 months, reaching a total of over $7 trillion in June. The ECB did the same. As did the Bank of Japan. Between the three of them, some $10 trillion of quantitative easing was provided.

The scale of the central bank and government response was unprecedented. Indeed, in the US disposable income rose by close to 15% in April '20 on the back of it. This pushed investors back into stocks and fueled the subsequent rally that started towards the end of March 2020.

As we write this in September 2020, many equity markets are back to or exceeded their highs of earlier in the year, making it one of the most dramatic snap back rallies we have ever witnessed, particularly in the US.

GCC Markets

Like much of the rest of the world, the GCC fared well in calendar year 2019 before the pandemic hit. The S&P GCC Composite gained 8.3% for the calendar year 2019, with Kuwait being the best performing GCC market. The region did well due to the rebounding of oil in 2019 which gained 22% in the calendar year. Nonetheless, these profits were all taken back and more after the pandemic and oil price wars that started in early 2020. Thus, the GCC region faced a double-whammy as their economies faced ceased activity and government coffers were affected with the collapse of oil, which dropped 65% year-to-31st March 2020. Indeed, the oil price was distorted by futures contracts rolling over, and a lack of storage capacity, being negative for a short period of time.

In the KSA, markets witnessed the biggest IPO in history as ARAMCO went public, demanding a valuation of $1.7T. This saw somewhat of a liquidity crunch in KSA equity markets as funds were locked up for the IPO. Expectations were that KSA markets witness great upside as their market was upgraded to Emerging, which comes with the notion of added inflows from EM funds. Nonetheless, the KSA index gained 7% for the CY19 but has since dropped 22% due to the pandemic and lower oil prices.

Kuwait

The weak economic performance persisted in 2019, with the gross domestic product achieving a positive real growth of about 0.4% in 2019 compared to a growth rate of 1.2% in 2018 and a negative growth rate of about -4.7% in 2017, according to the figures of The Economist Information Unit. The average price of the Kuwaiti oil for the year was around US$ 64.3 per barrel. With the spread of the COVID-19 pandemic, the level of uncertainty around the global economy's growth increased and was intensified by the a rise of geopolitical tension in the region, which led to the fall of the price of the Kuwaiti oil to the lowest value of US$ 11.9 per barrel in April 22, 2020.

According to the final account statement of the State's Financial Administration issued by the Ministry of Finance, the final account showed for the fiscal year 2019/2020 a deficit of about 3.9 billion Kuwaiti dinars, without including the 10% deduction transferred to the Future Generations Reserve Fund, up 1.3 billion Kuwaiti dinars deficit for the fiscal year 2018/2019. This was the fifth year where an actual deficit was registered, and it is expected that the fiscal year 2020/2021 will achieve a deficit of about 14 billion Kuwaiti dinars, as a result of the continuing impact of the COVID-19 pandemic and the failure to control public expenditures and diversify sources of budget revenues.

The preliminary estimates indicate that the Kuwaiti economy is expected to achieve negative real growth of -5.0% for the year 2020, due to the impact of the COVID-19 pandemic, and the drop in oil prices. In the medium term (the period between 2021-2024), the real growth rate is expected to range between 1.2% and 3.2%. The government will be forced to undertake a fundamental reform to its unsustainable financial policies, and a significant rationalization that leads to a tangible reduction in these policies. Efforts must be made to reallocate the remaining resources to serve the sustainability of the local economy.

Boursa Kuwait underwent a major reform process which led to its upgrade at the level of global stock indices during 2019. The market achieved an excellent performance in 2019 levels and rose by around 90.1% compared to its level in 2018. The liquidity level in the first half of 2020 also rose sharply by 109.6% compared to the same period of the preceding year. However, the general index suffered losses by -18.3%, and introducing Boursa Kuwait index to other international market indexes has been postponed because of the COVID-19 pandemic.

Dear Shareholders

The company has succeeded in all that is new in its investments, despite the difficult business environment at the global, regional and local levels. At the level of asset management, the company is pleased to announce that the performance of its portfolios outperformed their respective benchmarks during the past financial year (1st April 2019 – 31st March 2020), as highlighted in the table below:

The company's strategies have successfully achieved an outperformance over the year despite maintaining a defensive sector allocation and higher cash balance. We would attribute this strong performance to effective bottom-up stock picking and an effective top down overlay, in terms of getting the macro outlook right. Furthermore, we started to focus on the pandemic in early January 2020 and took steps to reduce exposure just before it spread outside China. This was timely, as the global equity markets collapsed in March. We subsequently added back some exposure in areas that we felt would do well in an environment of lockdowns and we have therefore able to outperform the sharp market rally we have had since the March '20 lows.

Rasameel Strategy Performance															
Period	Global Equities			Disruptive Technologies			US Equities			UK Equities			GCC Equities		
	Strategy	MSCI World Islamic	Excess Return	Strategy	MSCI World Islamic	Excess Return	Strategy	S&P 500	Excess Return	Strategy	FTSE 250	Excess Return	Strategy	Dow Jones Islamic	Excess Return
1/4/19 - 31/3/20	-2.78%	-13.63%	10.85%	0.41%	-13.63%	14.04%	-2.50%	-6.98%	4.48%	-12.19%	-22.43%	10.24%	-9.95%	-22.65%	12.70%

Note: All performance figures reported above are unaudited and reported in USD

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The new "Disruptive Technologies" strategy was created to invest across companies that seek to disrupt the status quo in areas like Healthcare, data storage and networks, AI and autonomous vehicles. The investment horizon of the strategy is categorized as long term (10-15 years) to realize the high growth potential of the constituents. Over the year, we also added precious metals exposure across most of our strategies. All of this helped de-risk the strategy's concentrated exposure, and played in our favour, as healthcare and precious metals have performed very well year to date. Our exposure in Streaming, Online gaming and E-Commerce also worked exceptionally well as the pandemic outbreak forced billions around to world to stay confined within their homes.

The company was also able to successfully launch two global real estate deals in Britain and the United States, and the global real estate management team was able to complete the exit of the Seattle residential property with excellent performance in the fourth quarter of the year just before the outbreak of the Covid-19. However, it is still under pressure because of the asset values inherited by the management. Due to the pressures of the business environment, on the one hand, and the location of its old assets on the other hand, the company has recorded total losses of 1,558,583 Kuwaiti Dinars (one million five hundred fifty-eight thousand and five hundred eighty-three) for the fiscal year ending 31st March 2020. These losses included about 615.057 (six hundred fifteen thousand and fifty-seven) Kuwaiti Dinars, an amount that was provision for a decline in the value of its real estate investments in the GCC. The remainder amount of KD 943.526 (nine hundred forty-three thousand and five hundred twenty-six) represents the excess of operating expenses over its revenues due to our inability to liquidate the aforementioned real estate investments and to invest its proceeds in the introduction of new products and the decrease in revenues from some of the company's assets.

Future Outlook

As we write this letter in September 2020, the market is facing two incredible pressures, disinflationary and inflationary forces. Excessive levels of debt, unemployment and aging demographics all contribute to reducing consumption and investment. On the flip side, the current levels of Quantitative Easing dwarfed the response seen in the 2009 in the Global Financial Crisis. What's more is that the Government is now ensuring that the stimulus is reaching the general populous directly, and not through banks that have propped up their balance sheets. For this reason, this version of stimulus could be very inflationary as opposed to the stimulus of the Global Financial Crisis. We have seen significant change in narrative at central bank and govt level. Central Banks across the globe have pumped in $10 trillion via quantitative easing, with further stimulus expected.

Looking ahead, we anticipate that central banks' commitment to continue accommodative monetary policy will continue to dictate where markets are headed in the coming months.In fact, the Fed has recently signalled its willingness to let the economy run hotter for longer even if full employment is achieved or inflation target is achieved. And then we have the US elections in November. We take the view that the markets will be volatile over the next 12 months, but beyond that inflation will start to raise its ugly head. We are investing accordingly and will, we hope, be well positioned to prosper in what we expect will be a decade marked by higher inflation than we have seen in the earlier part of this century.

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.

Fahad Muhammad Al Rashed
Chairman of the Board of Directors

Sharia Board Committee Report

التاريخ: 3 صفر 1442هـ　　　　　　　　　　　　　　　　الموافق: 20 سبتمبر 2020م

بسم الله الرحمن الرحيم

الحمد لله رب العالمين والصلاة والسلام على نبينا محمد وآله وصحبه أجمعين وبعد

إلى السادة / شركة رساميل للاستثمار　　　　المحترمين

السلام عليكم ورحمة الله وبركاته،،

وفقاً للسلطات المخولة لهيئة الرقابة الشرعية من قبل المساهمين لشركة رساميل للاستثمار (ش.م.ك.م.) من خلال الجمعية العامة العادية للشركة وبموجب عقد التأسيس والنظام الأساسي للشركة وتعديلاتهما وبموجب تعليمات الجهات الرقابية ذات الصلة، فإن هيئة الرقابة الشرعية تقدم تقريرها السنوي عن السنة المالية المنتهية في 2020/03/31، يتضمن تقرير هيئة الرقابة الشرعية ستة بنود على النحو الآتي: -

أولاً: نطاق أعمال هيئة الرقابة الشرعية:

يتضمن نطاق أعمال هيئة الرقابة الشرعية على:

1. مراجعة الهياكل الاستثمارية والمنتجات وصيغ العقود وتطويرها وكافة السياسات والإجراءات والمنتجات الجديدة وإصدار القرارات في مدى موافقتها للمعايير الشرعية، وإصدار الفتاوى والقرارات والضوابط الشرعية المناسبة لها عند الحاجة بعد الحصول على جميع المعلومات والتفسيرات التي تراها هيئة الرقابة الشرعية ضرورية لإصدار قرارها.
2. مراجعة السياسات والإجراءات لمنتجات وأنشطة الشركة بالعمل وفقاً لأحكام الشريعة الإسلامية.
3. الرد على كافة الاستفسارات التي تبديها الشركة التي تنشأ عن مباشرة الأعمال والخاصة بتفسير أو تطبيق المعايير الشرعية.

ثانياً: مسؤولية إدارة الشركة وهيئة الرقابة الشرعية:

إن مسؤولية التأكد من أن الشركة تعمل وفقاً لأحكام ومبادئ الشريعة الإسلامية تقع على الإدارة، أما مسئولية هيئة الرقابة الشرعية فتنحصر في إبداء رأي مستقل بناء على مراقبتها لعمليات الشركة، وفي إعداد تقريرها للشركة.

ثالثاً: بيان بأعمال هيئة الرقابة الشرعية:

قامت هيئة الرقابة الشرعية بأعمالها حسب نطاق أعمالها والتي اشتملت على مراجعة الهياكل الاستثمارية والمنتجات وصيغ العقود وتطويرها وكافة المستندات والإجراءات والمنتجات الجديدة وإصدار القرارات في مدى موافقتها للمعايير الشرعية

والاطلاع على تقرير مدقق الشرعي الداخلي من أجل الحصول على جميع المعلومات والتفسيرات التي اعتبرتها ضرورية لتزويدها بأدلة تكفي لإعطاء تأكيدات معقولة بأن الشركة لم تخالف أحكام الشريعة الإسلامية في ضوء قرارات هيئة الرقابة الشرعية والمعايير الشرعية المعتمدة للشركة وقرارات الجهات الرقابية ذات الصلة.

رابعاً: قرارات هيئة الرقابة الشرعية:

قامت الهيئة الرقابة الشرعية بالرد على جميع الاستشارات الشرعية الواردة من إدارات الشركة وأصدرت بهذا الصدد تسع قرارات شرعية خلال الفترة المذكورة.

خامساً: السياسات والإجراءات المعدة من قبل هيئة الرقابة الشرعية:

لم تقم هيئة الرقابة الشرعية بإعداد أية سياسات وإجراءات خلال الفترة المذكورة. وتم الاعتماد على عقد النظام والنظام الأساسي ونشرة الاكتتاب لنظامي الاستثمار الجماعي خلال الفترة المذكورة.

سادساً: رأي هيئة الرقابة الشرعية:

وبعد دراسة جميع الإيضاحات والتأكيدات التي حصلت عليها هيئة الرقابة الشرعية، فإنها تعتقد:

1- إن العقود والعمليات والمعاملات التي أبرمتها الشركة خلال السنة المالية المنتهية في 2020/03/31، والتي اطلعت عليها هيئة الرقابة الشرعية تمت وفقاً لأحكام ومبادئ الشريعة الإسلامية.

2- إن مسؤولية إخراج الزكاة تقع على عاتق المساهمين.

نسأل الله العلي القدير أن يحقق لنا ولكم الرشاد والسداد. والسلام عليكم ورحمة الله وبركاته.

الشيخ الدكتور/ عبد العزيز خليفة القصار

رئيس هيئة الفتوى والرقابة الشرعية

الشيخ الدكتور/ علي ابراهيم الراشد

عضو هيئة الفتوى والرقابة الشرعية

الشيخ الدكتور/ عصام خلف العنزي

عضو هيئة الفتوى والرقابة الشرعية

Rasameel Investment Company K.S.C. (Closed)

and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2020

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

Opinion

We have audited the consolidated financial statements of Rasameel Investment Company K.S.C. (Closed) (the "Parent Company") and Subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of income, 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 2020, 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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 2020 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 1,610,592 (2019: KD 1,805,735) 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 2020 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

30 August 2020
Kuwait

Consolidated Statement of Income
For the year ended 31 March 2020

	Notes	2020 KD	2019 KD
INCOME			
Management and advisory fees		145,354	303,851
Net income from investment securities	3	100,224	543,635
Rental income	9	633,118	712,657
Change in fair value of investment properties	9	(440,184)	(1,532,576)
Share of result of associates	8	51,564	79,393
Islamic finance income		45,898	28,796
Gain (loss) on sale of property and equipment		140	(52,625)
Loss on sale of investment in associates / partial redemption	8	(27,565)	(1,587)
Gain on sale of a subsidiary	2.2	12,000	-
Income from investment deposits and saving accounts		22,004	12,649
Other income		38,069	1,033
		580,622	95,226
EXPENSES			
Administrative expenses	4	(1,755,306)	(1,827,186)
Properties management and maintenance charges	9	(228,015)	(271,975)
Net impairment losses and expected credit losses	5	(28,558)	(1,840)
Islamic finance costs		(127,326)	(83,473)
		(2,139,205)	(2,184,474)
LOSS FOR THE YEAR		(1,558,583)	(2,089,248)
Attributable to:			
Equity holders of the Parent Company		(1,554,188)	(2,086,666)
Non-controlling interests		(4,395)	(2,582)
		(1,558,583)	(2,089,248)

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

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020

	Note	2020 KD	2019 KD
Loss for the year		(1,558,583)	(2,089,248)
Other comprehensive (loss) income:			
Items that may be reclassified to consolidated statement of income in subsequent periods:			
Exchange differences on translation of foreign operations		9,709	41,110
Items that will not be reclassified to consolidated statement of income in subsequent periods:			
Net (loss) gain on equity instruments designated at fair value through other comprehensive income		(544,915)	91,916
Share of other comprehensive (loss) income of associates	8	(41,839)	41,405
		(586,754)	133,321
Other comprehensive (loss) income for the year		(577,045)	174,431
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,135,628)	(1,914,817)
Attributable to:			
Equity holders of the Parent Company		(2,131,233)	(1,912,235)
Non-controlling interests		(4,395)	(2,582)
		(2,135,628)	(1,914,817)

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

Consolidated Statement of Financial Position
As at 31 March 2020

	Notes	2020 KD	2019 KD
ASSETS			
Bank balances and cash		3,834,493	2,127,423
Islamic finance receivables	6	1,197,551	907,527
Other assets	7	2,355,080	2,947,567
Financial assets at fair value through profit or loss	18	580,779	922,818
Financial assets at fair value through other comprehensive income	18	2,008,721	2,483,121
Investment in associates	8	-	772,981
Investment properties	9	6,342,541	6,782,725
Property and equipment		139,577	170,984
Right-of-use assets	2.3	203,647	-
TOTAL ASSETS		16,662,389	17,115,146
LIABILITIES AND EQUITY			
Liabilities			
Islamic finance payables	10	2,780,119	1,361,067
Other liabilities	11	340,997	413,259
Lease obligations	2.3	209,565	-
Employees' end of service benefits	12	584,686	527,646
Total liabilities		3,915,367	2,301,972
Equity			
Share capital	13	18,026,680	18,026,680
Statutory reserve	13	12,761	12,761
Share options reserve		7,510	7,510
Fair value reserve		(256,545)	193,488
Foreign currency translation reserve		64,740	55,031
Accumulated losses		(5,116,147)	(3,494,714)
Equity attributable to equity holders of the Parent Company		12,738,999	14,800,756
Non-controlling interest		8,023	12,418
Total equity		12,747,022	14,813,174
TOTAL LIABILITIES AND EQUITY		16,662,38	17,115,146

Dr. Fahed M. Al Rashed
Chairman

Samir A. Algharaballi
Chief Executive Officer

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

Consolidated Statement of Changes In Equity

For the year ended 31 March 2020

	Attributable to the shareholders of the Parent Company								
	Share capital	**Statutory reserve**	**Share options reserve**	**Fair value reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total equity**
	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 April 2019	18,026,680	12,761	7,510	193,488	55,031	(3,494,714)	14,800,756	12,418	14,813,174
Loss for the year	-	-	-	-	-	(1,554,188)	(1,554,188)	(4,395)	(1,558,583)
Other comprehensive (loss) income for the year	-	-	-	**(586,754)**	**9,709**	-	**(577,045)**	-	**(577,045)**
Total comprehensive (loss) income for the year	-	-	-	(586,754)	9,709	(1,554,188)	(2,131,233)	(4,395)	(2,135,628)
Transfer to accumulated losses on derecognition of equity investment carried at FVOCI	-	-	-	83,411	-	(83,411)	-	-	-
Transfer of gain on equity instrument at FVOCI	-	-	-	**53,310**	-	**16,166**	**69,476**	-	**69,476**
As at 31 March 2020	**18,026,680**	**12,761**	**7,510**	**(256,545)**	**64,740**	**(5,116,147)**	**12,738,999**	**8,023**	**12,747,022**
As at 1 April 2018	18,026,680	12,761	7,510	57,670	13,921	(1,405,551)	16,712,991	15,000	16,727,991
Loss for the year	-	-	-	-	-	(2,086,666)	(2,086,666)	(2,582)	(2,089,248)
Other comprehensive income for the year	-	-	-	**133,321**	**41,110**	-	**174,431**	-	**174,431**
Total comprehensive income (loss) for the year	-	-	-	133,321	41,110	(2,086,666)	(1,912,235)	(2,582)	(1,914,817)
Transfer of loss on disposal of equity instrument at FVOCI to accumulated losses	-	-	-	**2,497**	-	**(2,497)**	-	-	-
As at 31 March 2019	**18,026,680**	**12,761**	**7,510**	**193,488**	**55,031**	**(3,494,714)**	**14,800,756**	**12,418**	**14,813,174**

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

Consolidated Statement of Cash Flows
For the year ended 31 March 2020

	Notes	2020 KD	2019 KD
OPERATING ACTIVITIES			
Loss for the year		(1,558,583)	(2,089,248)
Adjustments to reconcile loss for the year to net cash flows:			
Net income on investment securities	3	(100,224)	(543,635)
Share of results of associates	8	(51,564)	(79,393)
Loss on sale of associates	8	27,565	1,587
Valuation losses from investment properties	9	440,184	1,532,576
(Gain) loss on sale of property and equipment		(140)	73,834
Net foreign exchange (gain) loss		(34,401)	37,790
Depreciation on property and equipment		56,920	33,650
Depreciation on right-of-use assets	2.3	62,885	-
Impairment of property and equipment		-	10,515
Provision for employees' end of service benefits	12	149,667	152,445
Islamic finance costs		127,326	83,473
Net impairment losses and expected credit losses	5	28,558	1,840
Income from investment deposits and saving accounts		(22,004)	(12,649)
Islamic finance income		(45,898)	(28,796)
Finance cost on lease liabilities	2.3	11,985	-
Gain on sale of a subsidiary	2.2	**(12,000)**	**-**
		(919,724)	(826,011)
Working capital changes:			
Islamic finance receivables		665,810	6,930
Financial assets at fair value through profit or loss		292,867	161,414
Other assets		(318,781)	1,060,324
Other liabilities		**(72,262)**	**23,853**
		(352,090)	426,510
Islamic finance income received		11,914	28,796
Employees' end of service benefits paid	12	**(92,627)**	**(56,789)**
Net cash flows (used in) from operating activities		**(432,803)**	**398,517**

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

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 March 2020

	Notes	2020 KD	2019 KD
INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through other comprehensive income		-	486,645
Proceeds from sale/ partial redemption of investment in associates	8	671,740	276,240
Dividends received from associates	8	42,802	67,019
Purchase of property and equipment		(25,783)	(166,734)
Proceeds from sale of property and equipment		410	154,000
Proceeds from redemption of debt instruments at amortised cost	3	-	328,116
Income received from investment deposits and saving accounts		22,004	12,649
Dividend income received	3	149,396	198,943
Proceeds from sale of a subsidiary	2.2	**12,000**	**-**
Net cash flows from investing activities		**872,569**	**1,356,878**
FINANCING ACTIVITIES			
Proceeds from Islamic finance payables		1,583,899	18,573
Repayment of Islamic finance payables		(142,127)	(434,434)
Payment of lease obligations	2.3	(68,952)	-
Finance costs paid		**(105,516)**	**(83,473)**
Net cash flows from (used in) financing activities		**1,267,304**	**(499,334)**
NET INCREASE IN BANK BALANCES AND CASH		1,707,070	1,256,061
Bank balances and cash as at the beginning of the year		2,127,423	1,153,838
Bank balances and cash attributable to discontinued operations as at the beginning of the year		**-**	**(282,476)**
BANK BALANCES AND CASH AS AT THE END OF THE YEAR		**3,834,493**	**2,127,423**
Non-cash transactions excluded from the consolidated statement of cash flows are, as follows:			
Purchase of property and equipment		**-**	**(206,625)**
Other assets		**-**	**206,625**
Adjustment to right-of-use on adoption of IFRS 16	2.3	(266,532)	-
Adjustment to lease obligations on adoption of IFRS 16	**2.3**	**266,532**	**-**

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

Notes to The Consolidated Financial Statements
As at 31 March 2020

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 2020 were authorised for issue in accordance with a resolution of the Parent Company's board of directors on 30 August 2020. 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 2019 were approved by the shareholders of the Parent Company at the ordinary annual general assembly held on 15 July 2019. 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 Office 5 & 6, Floor 3, Souq Al Safat Al Qibla, Kuwait City, 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.

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for equity instruments at FVTPL, FVOCI and investment properties that have been measured at fair value.

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

Certain prior year amounts have been reclassified to conform to the current period presentation. There is no effect of these reclassifications on the previously reported equity and profit for the year then ended.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 March 2020. 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);

Notes to The Consolidated Financial Statements
As at 31 March 2020

- 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;

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 consolidated statement of income. Any investment retained is recognised at fair value.

The consolidated financial statements of the Group include:

Name of entity	% equity interest 2020	2019	Principal activities	Country of incorporation
Rasameel International for Credit Facilities W.L.L. [1]	-	98	Credit facilities	Kuwait
Rasameel International Holding K.S.C.C. [2]	-	99	Holding company	Kuwait
Rasameel Structuring and General Trading Company L.L.C. [3]	99	99	General trading	UAE
Rasameel Investment House Limited	99	99	Consultancy services and investment business	UAE
Rasameel International Real Estate Company K.S.C.C. [3]	99	90	Real Estate investments	Kuwait
Yasserha Company for Buying and Selling Shares, Bonds, Lands and Real Estate W.L.L.	70	70	General trading and Real Estate investments	Kuwait

1 *During the year, the Group liquidated this subsidiary.*

2 *During the year, the Parent Company sold its entire equity interest in Rasameel International Holding K.S.C.C., a wholly owned subsidiary, to an unrelated third party for a total consideration of KD 12,000. The Parent Company recorded realised gain of KD 12,000 recorded in the consolidated statement of income.*

3 *1% legal ownership in these companies is registered in the names of certain nominees of the Parent Company and the nominees have confirmed in writing that the shares are held for the beneficial interest of the Group.*

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following amendments to the existing standards relevant to the Group effective as of 1 April 2019:

Notes to The Consolidated Financial Statements
As at 31 March 2020

Adoption of IFRS 16 - Leases ("IFRS 16")

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group's accounting policies for leases under IFRS 16 is explained in Note 2.5.

The Group has a lease contract for its shops. Before the adoption of IFRS 16, the Group had classified its lease (as lessee) at the inception date as operating lease.

The impact on the consolidated statement of financial position (increase/ (decrease)) as at 1 April 2019 is disclosed below:

	KD
Asset	
Right-of-use assets	**266,532**
Total asset	**266,532**
Liability	
Lease obligations	**266,532**
Total liability	266,532

The Group has discounted its future lease obligations using its incremental borrowing rate which is determined at 5.5% at the reporting date.

The impact on the consolidated statement of income for the year ended 31 March 2020 is disclosed below:

	Right-of-use assets	Lease liabilities
	KD	KD
As at 1 April 2019	266,532	266,532
Depreciation (Note 4)	(62,885)	-
Finance costs (Note 4)	-	11,985
Payments	-	(68,952)
As at 31 March 2020	**203,647**	**209,565**

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2020 have not been early adopted in the preparation of the Group's consolidated financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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- related costs incurred are expensed and included in administrative expenses.

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

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non- controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefits 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 disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash - generation unit retained.

Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers

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 the payments are being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements.

The specific recognition criteria described below must also be met before revenue is recognised.

Management and advisory fee
Management and advisory fee is fee earned for the provision of services over a period of time and is accrued over that period; these fees include management fees.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature.

Gain or loss on sale of properties and investment securities
Gain or loss on sale of properties and investment securities is recognised when significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

Interest income
Interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in 'other income' in the consolidated statement of income.

Dividend income
Dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

Leases

Leases accounting policies applied from 1 April 2019

Right-of-use assets

The Group recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset are depreciated on a straight-line basis over the shorter of the lease term and estimated useful life of assets of 5 years. Right-of-use asset are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Leases accounting policies applied up to 31 March 2019

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at 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, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging 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. Contingent rents are recognised as revenue in the period in which they are earned.

Financial instruments

Financial assets

Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing

Notes to The Consolidated Financial Statements
As at 31 March 2020

component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of income when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to consolidated statement of income.

c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to consolidated statement of income. Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) Financial assets at fair value through profit or loss

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

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in consolidated statement of income.

Impairment of financial assets

The Group computes Expected Credit Losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Other assets and bank balances
- Islamic finance to customers
- Amounts due from related parties

Equity investments are not subject to ECL.

Determination of ECL on other assets and bank balances

With respect to the other assets, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses as the simplified approach does not require the changes in credit risk to be tracked. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the Group's economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group does not determine ECLs on bank balances, staff receivables and refundable deposits (included under other receivables) as these are considered to be of low risk and the Group does not expect to incur any material credit losses on these instruments.

Determination of ECL on Islamic finance receivables

The Group has applied general approach under IFRS 9 for determination of ECLs on Islamic finance receivables. Under the general approach, the ECLs are recognized in three stages. For exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit loss that result from default events that are possible within next 12 months (a 12-month ECL classified in Stage 1). With respect to exposures, for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL classified in Stage 2). Further, the Group measures loss allowances at an amount equal to lifetime ECL that are determined to be credit impaired based on objective evidence of impairment (a lifetime ECL classified in Stage 3). The Group considers amounts due from related parties to have low credit risk when the counter party has a strong liquidity position to meet its contractual cash flow obligations in the near term.

Life time ECL is the ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated either on an individual basis or on a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of Expected Credit Loss

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

At each reporting date, the Group also assesses whether Islamic finance receivables or amounts due from related parties are credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as default or past due event

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- The lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty

At the reporting date, if the credit risk of Islamic finance receivables or amounts due from related parties have not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage1.

Measurement of ECLs
ECL is a probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at an appropriate discount rate relevant to the amounts due from related parties. Cash shortfall represents the difference between cash flows due to the Group and the cash flows that are expected to be received. For amounts due from related parties receivable on demand, the Group does not consider the impact of discounting the future cash flow shortfalls to be material as these balances are expected to be settled in a short period of time. The key elements in the measurement of ECL included probability of default (PD), loss given default (LGD) and exposure at default (EAD). The determination of these elements require considerable judgment from the management.

Incorporation of forward looking information
The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking adjustments into the determined ECL. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The management reviews these forecasts and estimates on a regular basis.

Write off
The gross carrying amount of Islamic finance receivables is written off (either partially or in full) when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for ECL in the consolidated statement of financial position
Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost.

Provisions for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on Islamic finance receivables in accordance with the instructions of CBK on the classification of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due but not impaired and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions.

Category	Criteria	Specific provisions
Watch list	Irregular for a period of up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has

neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include accounts payable, obligation under finance lease and accruals and Islamic finance payables. The Group did not have any financial liabilities at fair value through profit or loss as at the reporting date.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Islamic finance payables

This is the category most relevant to the Group. After initial recognition, profit-bearing Islamic finance payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of income. The Group's Islamic finance payables include Ijara and Murabaha facilities.

Other liabilities

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

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in cons olidated statement of income.

Offsetting of financial instruments

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

Fair value measurement

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.

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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 consolidated 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.

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 consolidated statement of income in the period in which they arise. Fair values are determined based on independent accredited valuer.

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

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• 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.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

An item of furniture and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of income when the asset is derecognised.

Impairment of non-financials assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

Impairment losses of continuing operations are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

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 the 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.

Foreign currencies translation

The Group's consolidated financial statements are presented in KD, 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.

Transactions and balances

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

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Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of income are also recognised in other comprehensive income or consolidated statement of income, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their income statements are translated at the average rates of exchange for the year. The exchange differences arising on the 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 the consolidated statement of income.

Fiduciary assets

Assets held in a trust or fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated statement of financial position.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position but are disclosed when an inflow of economic benefits is probable.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to, the following:

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Classification of real estate properties
Management decides on acquisition of real estate whether it should be classified as held for sale or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or at fair value.

The Group classifies property as held for sale if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Determining the lease term of contracts with renewal options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event

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or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term due to the significance of these assets to its operations.

Impairment of financial assets at amortised cost
The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For other receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Fair value measurement of financial instruments
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Valuation of investment properties
The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 9.

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.

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.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

3. NET INCOME FROM INVESTMENT SECURITIES

	2020 KD	2019 KD
Unrealised loss on financial assets at fair value through profit or loss	(70,378)	(51,921)
Realised gain on sale of financial assets at fair value through profit or loss	21,206	68,497
Gain on redemption of debt instruments at amortised cost	-	328,116
Dividend income	149,396	198,943
	100,224	543,635

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4. ADMINISTRATIVE EXPENSES

	2020 KD	2019 KD
Staff costs and other employment benefits	1,211,434	1,221,348
Rent expenses	17,683	122,138
Depreciation on right-of-use assets (Note 2.3)	62,885	
Depreciation of property and equipment	56,920	33,650
Portfolio management and collection charges	2,212	1,097
Professional and legal fees	124,375	111,905
Finance cost on lease obligations (Note 2.3)	11,985	-
Other expenses	267,812	337,048
	1,755,306	1,827,186

5. NET IMPAIRMENT LOSSES AND EXPECTED CREDIT LOSSES

	2020 KD	2019 KD
Net allowance for impairment of Islamic finance receivables (Note 6)	56,150	8,900
Reversal of impairment of Islamic finance receivables (Note 6)	(17,701)	(6,930)
ECL and impairment on other assets (Note 7)	63,896	54,685
Reversal of impairment losses on other assets (Note 7)	(73,787)	(54,815)
	28,558	1,840

6. ISLAMIC FINANCE RECEIVABLES

	2020 KD	2019 KD
Gross amount	1,638,549	1,107,503
Less: deferred income	(221,146)	(18,573)
	1,417,403	1,088,930
Less: allowance for expected credit losses	(219,852)	(181,403)
	1,197,551	907,527

During the year, the Group provided Murabaha facilities to two counterparties for a total amount of KD 978,000. Murabaha receivables earn profit at an average profit rate of 4.3% per annum and are repayable in sixty-two installments and the last installment is due on 1 November 2028.

During the previous year, the Group provided a Murabaha facility to a counterparty for a total amount of KD 935,000. Murabaha receivables earn profit at an average effective profit rate of 5.1% per annum and are repayable in five installments and the last installment is due on 1 December 2020.

The carrying value of Islamic finance receivables is considered a reasonable approximation of fair value.

Movement in provision for impairment of Islamic finance receivable during the year:

	2020 KD	2019 KD
As at 1 April	181,403	179,433
Add: allowance for expected credit losses (Note 5)	56,150	8,900
Less: reversal of impairment of Islamic finance receivables (Note 5)	(17,701)	(6,930)
As at 31 March	219,852	181,403

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As at 31 March 2020, Islamic finance receivables at nominal value of KD 219,852 (2019: KD 181,403) were past due or impaired.

The expected credit losses on Islamic finance receivables computed under IFRS 9 in accordance with the CBK guidelines amounted to KD 213,984 as at 31 March 2020 (2019: KD 176,063), which is lower than the provision required by CBK instructions. As a result, no additional provision has been made.

7. OTHER ASSETS

	2020 KD	2019 KD
Accrued income	34,115	277,620
Staff receivables	1,058	4,596
Advances, deposits and prepayments	109,439	104,550
Receivables on sale of subsidiary*	1,327,268	1,385,393
Other receivables	**883,200**	**1,175,408**
	2,355,080	**2,947,567**

* 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, to an unrelated third party for a total consideration of KD 3,300,000. Accordingly, the Group classified its investment in Rasameel Motors as discontinued operations at 31 March 2018.

During the previous year ended 31 March 2019, the Group collected of KD 1,900,000 from the total receivables and expects to collect the remaining amount within twelve months from the reporting date. The Group has recorded allowance for expected credit losses of KD 58,125 (2019: 21,760) (Note 5).

As at 31 March 2020, the Group has recorded an impairment on other assets of KD 5,771 (2019: KD 32,925) (Note 5) and reversal of impairment on other assets of KD 73,787 (2019: KD 54,815) (Note 5).

8. INVESTMENT IN ASSOCIATES

Details of the Group's associates are, as follows:

		Equity interest		Carrying value	
	Country of	2020	2019	2020	2019
Name	incorporation	%	%	KD	KD
Emerald Portfolio, LTD	Cayman Islands	Nil%	17.63	-	567,707
Emerald Holding, LTD	Cayman Islands	Nil%	17.20	-	205,274
				-	772,981

Reconciliation with the carrying amount of investment in associates are set out below:

	2020 KD	2019 KD
At the beginning of the year	772,981	978,576
Share of results	51,564	79,393
Disposals	(736,917)	(277,825)
Dividends received	(42,802)	(67,019)
Share of OCI	(41,839)	41,405
Foreign currency translation adjustment	(2,987)	18,451
	-	772,981

During the year, the Parent Company has sold its associates with a carrying value of KD 736,917 for a total consideration of KD 709,352 to non-related party. The Parent Company realised loss of KD 27,565 recorded in the consolidated statement of income. The Parent Company received KD 671,740 from the sale and expects to collect the remaining amount within twelve months from the reporting date.

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9. INVESTMENT PROPERTIES

	2020 KD	2019 KD
As at the beginning of the year	6,782,725	8,315,301
Change in fair value	(440,184)	(1,532,576)
As at the end of the year	6,342,541	6,782,725

Investment properties are categorised into:

	2020 KD	2019 KD
Properties under development	40,719	40,145
Completed properties	6,301,822	6,742,580
	6,342,541	6,782,725

The fair value of investment properties is determined based on valuations carried out by 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'). The valuations were performed by accredited independent valuers with recognised and relevant professional qualifications and experience in the locations and categories of the properties being valued. The valuation models applied are consistent with the principles in IFRS 13. Given the current situation of the COVID-19 pandemic, management will monitor the market outlook and keep the investment properties under frequent reviews.

More information about the fair value measurement disclosures is set out in Note 18.

As at 31 March 2020, the Group has certain investment properties, which were under construction of KD 40,719 (2019: KD 40,145). Therefore, these investment properties are carried at cost less impairment because fair value cannot be reliably measured.

Net rental income consists of the following:

	2020 KD	2019 KD
Rental income	633,118	712,657
Properties management and maintenance charges	(228,015)	(271,975)
	405,103	440,682

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

	2020	2019
Average rent per month (per sqm) (KD)	16.60	16.6
Yield rate	15.56%	14.51%
Vacancy rate	33.79%	24.61%

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	
		2020 KD	2019 KD
Average rent	± 5%	307,196	329,620
Yield rate	5 basis points	0.778%	0.7255%
Vacancy rate	- 5%	(307,196)	(329,620)

Certain investment properties with fair value of KD 1,610,592 (2019: KD 1,805,735) are pledged against Islamic finance payables (Note 10).

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10. ISLAMIC FINANCE PAYABLES

	Ijara	Murabaha	Total
2020	**KD**	**KD**	**KD**
Gross amount	1,478,711	1,577,010	3,055,721
Less: deferred finance costs	**(241,977)**	**(33,625)**	**(275,602)**
	1,236,734	**1,543,385**	**2,780,119**

2019	**Ijara**	**Murabaha**	**Total**
	KD	**KD**	**KD**
Gross amount	1,669,655	-	1,669,655
Less: deferred finance costs	**(308,588)**	**-**	**(308,588)**
	1,361,067	**-**	**1,361,067**

Ijara payables carry an average profit rate of 6.75% (2019: 5.50%) per annum and are repayable in equal instalments of AED 225,072 (equivalent to KD 12,027) with the last instalment payable on 15 December 2026.

Murabaha payable carry an average rate of 3.5% (2019: Nil) per annum with the last instalment payable on 20 August 2020.

Islamic finance payables of KD 1,478,711 (2019: KD 1,669,655) are secured by certain investment properties of KD 1,610,592 (2019: KD 1,805,735) (Note 9).

11. OTHER LIABILITIES

	2020 KD	2019 KD
Accrued expenses	**47,326**	61,622
Rent received in advance	**18,685**	34,388
Refundable deposits	**25,470**	31,981
Other liabilities and accruals	**249,516**	**285,268**
	340,997	**413,259**

12. EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision for employees' end of service benefits recognised in the consolidated statement of financial position are as follows:

	2020 KD	2019 KD
As at the beginning of the year	527,646	431,990
Charged during the year	149,667	152,445
Employees end of service benefits paid	(92,627)	(56,789)
As at the end of the year	584,686	527,646

13. EQUITY

a) Share capital

The Parent Company's authorised, issued and fully paid in cash share capital consists of:

	Number of shares		Authorised, issued and fully paid	
	2020	2019	2020 KD	2019 KD
Shares of 100 fils each (paid in cash)	180,266,800	180,266,800	18,026,680	18,026,680

b) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before KFAS and Zakat shall be transferred to the statutory reserve until this reserve reaches a minimum of 50% of the paid-up share capital.

The annual general assembly of the Parent Company may resolve to discontinue such 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. No transfer has been made to statutory reserve, since the Parent Company incurred accumulated losses.

14. RELATED PARTY DISCLOSURES

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 consolidated statement of income are, as follows:

	Key management personnel	Associates	Total 2020	Total 2019
	KD	KD	KD	KD
Management and advisory fees	354	8,699	9,053	10,478

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 Group. 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	
	2020 KD	2019 KD	2020 KD	2019 KD
Salaries and short-term benefits	353,286	363,294	103,548	98,117
Post-employment benefits	37,941	35,297	131,701	125,169
	391,227	398,591	235,249	223,286

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2020, the Group has not recorded any provision for expected credit losses relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

15. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

The maturity profile of assets and liabilities is as follows:

31 March 2020	Within 1 year KD	1 to 5 years KD	Total KD
ASSETS			
Cash and short-term deposits	3,834,493	-	3,834,493
Islamic finance receivable	340,910	856,641	1,197,551
Other assets	1,470,005	885,075	2,355,080
Financial assets at fair value through profit or loss	580,779	-	580,779
Financial assets at fair value through other comprehensive income	-	2,008,721	2,008,721
Investment properties	-	6,342,541	6,342,541
Property and equipment	-	139,577	139,577
Right-of-use assets	**67,868**	**135,779**	**203,647**
TOTAL ASSETS	**6,294,055**	**10,368,334**	**16,662,389**

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LIABILITIES			
Islamic finance payables	1,702,361	1,077,758	2,780,119
Other liabilities	111,779	229,218	340,997
Lease obligations	58,896	150,669	209,565
Employee's end of service benefits	-	584,686	584,686
TOTAL LIABILITIES	**1,873,036**	**2,042,331**	**3,915,367**

31 March 2019	Within 1 year KD	1 to 5 years KD	Total KD
ASSETS			
Cash and short-term deposits	2,127,423	-	2,127,423
Islamic finance receivable	907,527	-	907,527
Other assets	1,344,151	1,603,416	2,947,567
Financial assets at fair value through profit or loss	922,818	-	922,818
Financial assets at fair value through other comprehensive income	-	2,483,121	2,483,121
Investment in associates	-	772,981	772,981
Investment properties	-	6,782,725	6,782,725
Property and equipment	-	170,984	170,984
TOTAL ASSETS	**5,301,919**	**11,813,227**	**17,115,146**
LIABILITIES			
Islamic finance payables	141,000	1,220,067	1,361,067
Other liabilities	173,714	239,545	413,259
Employee's end of service benefits	-	527,646	527,646
TOTAL LIABILITIES	**314,714**	**1,987,258**	**2,301,972**

16. FINANCIAL INSTRUMENTS 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 achieving profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. They are monitored through the Group's strategic planning process. No changes were made in the risk management approach and policies during the year ended 31 March 2020.

The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk, foreign currency risk and equity price risk.

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

16.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily Islamic finance receivables and other receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments (including investment in debt securities).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2020 KD	2019 KD
Bank balances	3,834,027	2,126,423
Islamic finance receivables	1,197,551	907,527
Other assets	2,245,641	2,843,015
	7,277,219	5,876,965

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Bank balances

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Islamic finance receivables

Definition of default

The Group considers Islamic finance receivables to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group
- to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Group; or

Any credit impaired or stressed facility that has been restructured would also be considered as in default.

The Group considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past due event; or
- The lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty
- Borrower is deceased

The Group considers a financial asset as 'cured' (i.e. no longer be in default) and therefore reclassified out of stage 3 when it no longer meets any of the default criteria. In respect of restructured facilities which are classified in stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Group for consideration for classifying the facility in stage 2/stage 1.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assess as whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk. In addition to the above quantitative criteria, the Group applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk assumptions, nature and value of collaterals, forward-looking macro-economic scenarios, etc.

The Group calculates ECL on credit facilities classified in stage 3 at 100% of the defaulted exposure net of value of eligible collaterals after applying applicable haircuts.

PD estimation process

The probability of default (PD) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocaiton of the obligor. A PD used for IFRS 9 should reflect the Group's estimate of the future asset quality. The Group utilises

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the internal credit standings of its Islamic financing customers and other measures and techniques which seek to take account of all aspects of perceived risk in estimating the PD for IFRS 9. Furthermore, the Group also considers CBK's requirements on flooring of PD for credit facilities.

Exposure at default

Exposure at default (EAD) represents the amount which the obligor will owe to the Group at the time of default. The Group considers EAD based on CBK's guidelines on credit conversion factors to be applied on utilized portions for cash facilities.

Loss given default

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based CBK's guidelines on eligible collaterals with prescribed haircuts for determining LGD.

Other assets

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of other assets from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, other assets are written-off if past due for more than one year and are not subject to enforcement activity.

Risk concentrations of the maximum exposure to credit risk

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's Islamic finance receivable is primarily granted to clients located in Kuwait.

The Islamic finance receivables are primarily secured against the underlying assets like real estate properties, securities and motor vehicles. Additional collaterals may be requested.

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The effect of collateral and other risk mitigation techniques is shown below.

Collateral and other credit enhancements

The Group can liquidate the collateral in case of default by the borrower in accordance with the agreements entered with the borrowers. The Group has an obligation to return the collateral on the settlement of the receivable.

Credit quality for class of financial assets

The Group has a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The Group manages credit quality by ensuring that all loans granted have a minumum collateral coverage of 100% of the individual loans granted to the Group's clients, which management reviews on a regular basis.

16.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, 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	3 to 12 months	Over one year	Total
	KD	KD	KD	KD
2020				
Islamic finance payables	55,757	1,744,281	1,255,683	3,055,721
Other liabilities (excluding rent received in advance and accruals)	3,802	41,966	229,218	274,986
Lease obligations	**14,422**	**44,474**	**150,669**	**209,565**
	73,981	1,830,721	1,635,570	3,540,272
2019				
Islamic finance payable	54,706	164,117	1,450,832	1,669,655
Other liabilities (excluding rent received in advance and accruals)	**1,399**	**76,305**	**239,545**	**317,249**
	56,105	**240,422**	**1,690,377**	**1,986,904**

16.3 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.

16.3.1 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.

16.3.2 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:

Market indices	31 March 2020 Change in equity price	31 March 2020 Effect on the results of the year	31 March 2019 Change in equity price	31 March 2019 Effect on the results of the year
	%	KD	%	KD
Kuwait	**5%**	**4,900**	5%	4,788
GCC	**5%**	**7,636**	5%	11,279
Others	**5%**	**16,503**	5%	30,074

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

16.3.3 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:

	31 March 2020			31 March 2019		
	Change in currency rate	Effect on profit or loss	Effect on OCI	Change in currency rate	Effect on profit or loss	Effect on OCI
	%	KD	KD	%	KD	KD
Currency						
US Dollar	**+5**	**90,516**	**1,773**	+5	46,526	2,418
AED	**+5**	**(55,329)**	**52,748**	+5	(15,662)	53,097

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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.

17. 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 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to the equity holders of the Parent Company excluding statutory reserve 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, less bank balances and cash.

	2020 KD	2019 KD
Islamic finance payables	2,780,119	1,361,067
Other liabilities	340,997	413,259
Less: bank balances and cash	(3,834,493)	(2,127,423)
Net debt	(713,377)	(353,097)
Equity attributable to the equity holders of the Parent Company (excluding statutory reserve)	12,726,238	14,787,995
Capital and net debt	12,012,861	14,434,898
Gearing ratio	Nil%	Nil%

18. FAIR VALUE MEASUREMENT

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	2020 KD	2019 KD
Financial instruments		
Investment securities (at fair value)		
Quoted equity securities	580,779	922,818
Unquoted equity securities	2,008,721	2,483,121
	2,589,500	3,405,939
Non-financial assets		
Investment properties	6,342,541	6,782,725

Financial instruments

Fair value hierarchy

The following tables provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

	Fair value measurement using		
	Total KD	Quoted prices in active markets (Level 1) KD	Significant unobservable inputs (Level 3) KD
31 March 2020			
Financial assets at fair value through profit or loss	580,779	580,779	-
Financial assets at fair value through other comprehensive income	2,008,721	-	2,008,721
	2,589,500	580,779	2,008,721

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	Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)
	KD	KD	KD
31 March 2019			
Financial assets at fair value through profit or loss	922,818	922,818	-
Financial assets at fair value through other comprehensive income	**2,483,121**	**-**	**2,483,121**
	3,405,939	**922,818**	**2,483,121**

There were no transfers between any levels of the fair value hierarchy during 2020 or 2019.

Description of significant unobservable inputs to valuation

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Unquoted equity securities	Market approach	DLOM *	40%	Increase (decrease) in the discount would decrease (increase) the fair value.

* Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

Sensitivity analysis

The Group invests in entities that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a NAV based valuation technique for these positions. The NAV of the investments is adjusted, when necessary, to reflect considerations such as market liquidity discounts and other specific factors related to the investments. Accordingly, such instruments are included within Level 3. Significant increases (decreases) in the reported NAV for the investees would result in a significantly higher (lower) fair value on a linear basis.

Reconciliation of recurring fair value measurements of unquoted equity securities categorised within Level 3 of the fair value hierarchy:

	Financial assets at FVOCI KD	Total KD
As at 1 April 2019	2,483,121	2,483,121
Remeasurement recognised in OCI	(544,915)	(544,915)
Purchases/ redemption (net)	**70,515**	**70,515**
As at 31 March 2020	**2,008,721**	**2,008,721**

	Financial assets at FVOCI KD	Total KD
As at 1 April 2018	-	-
IFRS 9 transition adjustment	2,783,716	2,783,716
Remeasurement recognised in OCI	91,916	91,916
Purchases/ sales (net)	**(392,511)**	**(392,511)**
As at 31 March 2019	**2,483,121**	**2,483,121**

Non-financial assets

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

	Fair value measurement using		
	Total KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD
31 March 2020			
Investment properties	**6,301,822**	**1,148,466**	**5,153,356**
31 March 2019			
Investment properties	**6,742,580**	**1,235,271**	**5,507,309**

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Reconciliation of fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy:

	2020 KD	2019 KD
As at the beginning of the year	**5,507,309**	6,820,701
Fair value remeasurement recognised in consolidated statement of income	**(353,953)**	**(1,313,392)**
At 31 March	**5,153,356**	**5,507,309**

Investment properties

Investment properties have been valued based on valuations by valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued. The valuation reflects market conditions at the reporting date with gap of no more than two months.

Property 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.

19. FIDUCARY ASSESTS

The Group manages portfolios on behalf of customers, which are not included in the consolidated statement of financial position. The aggregate value of assets held in a fiduciary capacity by the Group at 31 March 2020 amounted to KD 19,235,038 (2019: KD 15,490,126). Fiduciary assets include an amount of KD 88,814 (2019: KD 124,975) attributable to a related party.

Fees and commission income include fees of KD 99,348 (2019: KD 129,581) arising from trust and fiduciary activities.

20. IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

In response to this crisis, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that as at 31 March 2020, liquidity position of the Group is stable and its existing balances of cash and cash equivalent, along with its borrowings will be sufficient to satisfy its liquidity requirements.

20.1 Use of estimates and assumptions

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

(i) Valuations of investment properties

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's investment properties and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. The Group acknowledges that these assets may have been impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these investment properties as and when they occur.

(ii) Fair value measurement of financial instruments

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of its financial assets and these are considered to represent management's best assessment based on observable information. Markets and the economy however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these assets as and when they occur.

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(iii) ECL on other assets

For other assets (except for receivables on sale of subsidiary), an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government). For receivables on sale of subsidiary, the Group uses the general approach under IFRS 9 for determination of ECLs by tracking changes in the credit risk. At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition.

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

(iv) ECL on Islamic finance receivables

The Group is required to calculate provisions for expected credit losses on Islamic finance receivables in accordance with the instructions of CBK on the classifications of credit facilities and calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due but not impaired and past due and impaired loans are managed and monitored as irregular facilities. The Group has recorded credit losses on Islamic finance receivables based on CBK provisioning requirements as these provisions are higher than the expected credit losses under IFRS 9 at 31 March 2020. During the year, the Group has recorded ECL of KD 56,150 on Islamic finance receivable.

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL or CBK provisions is required in subsequent reporting periods.

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Group for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed consolidated financial information. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.