



His Royal Highness Prince  
**Khalifa Bin Salman Al Khalifa**  
The Prime Minister



His Majesty King  
**Hamad Bin Isa Al Khalifa**  
The King of Kingdom of Bahrain



His Royal Highness Prince  
**Salman Bin Hamad Al Khalifa**  
The Crown Prince & Deputy  
Supreme Commander &  
First Deputy Prime Minister



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# Vision, Mission and Values

## Vision

Our vision is to contribute to the sustainable growth of the Kingdom of Bahrain economies by structuring market-leading businesses through our focused approach, and continuous enhancement of our investors value.

## Mission

- To deliver stable growth that results in consistent shareholder value and return on investment.
- To focus on a balanced portfolio, outstanding operations and sensibly managed risks.
- Select dependable strategic partners who have shared visions for a long-term success that make effective use of the capabilities we both bring to our partnerships.
- Make every effort to provide a trusted and reliable team by ensuring that our staff are continuously trained and motivated with a smile and pleasure.
- To provide a sense of fulfillment, fairness and family across every division, community and industry we work within.

# Values

Reef believes in value rich business. Everything we do and say is inspired by our beliefs and principles - we translate these concepts into development initiatives and programs.

## Inspiring Excellence

Our dedication to quality is evident in all we do - from products and services to processes. Our employees are enlightened and empowered to embody excellence and inspire it around them.

## Partnership

We believe the greatest and most durable results are achieved through partnership and value sharing across sectors and on all levels.

## Innovation and Originality

We are committed to an innovative business approach – whether in designing products and services or responding to opportunities with the flexibility to realize the greatest results.

## Accomplishment

Our commitment to accomplishment is based on effective goal implementation. We are driven to be the 'best of breed' – and dedicate ourselves to realizing every goal we set.

# Chairman's Report

**In the Name of Allah, the most beneficent, the most merciful. Prayers and pace upon the last Apostle and Messenger, Prophet Muhammed (Peace upon him) and his family and companies.**

**Dear Respected Shareholders,**



The Directors of Reef Holding Co. B.S.C. (c) have the pleasure in submitting their report to the Shareholders accompanied by the consolidated financial statements of the Company for the year ended 31<sup>st</sup> December 2019.

With a great pleasure to announce that your Company continued its positive performance in such difficult and challenging market conditions. Reef posted a net profit of BD 374 Thousand for the year which was 6.6% below the report bottom-line on the previous year (2018: BD 400 Thousand), taking into consideration two capital reduction with a total of of BD 12.486 million. This result can be attributed to steady performance of the investment portfolio, improved operational cost efficiency and the recovery of some of investments provision. As a result, the total assets of the Company decreased by 14% to BD 14.9 Million at 31<sup>st</sup> December 2019.

With the capital reduction, minimizing operational cost, and a new strategy, the Board of Directors

is confident that the Company is well positioned to achieve strategic success. This will be achieved irrespective of the world economy continued to face extraordinary volatile market conditions that are witnessed in 2019 and expected to continue in 2020 and will affect the financial markets and global economic policy uncertainty in the few years, the Company is equipped to navigate the challenges towards its goal.

Reef recorded a Return on Capital of 3.2%, as well as a Return on Assets of 2.5%, both of which are above the reported indicators of 2018. In light of these results, Reef Holding Board of Directors recommending to the Annual General Assembly a capital reduction of 5% of paid up capital subject to the approval of Shareholders and the Ministry of Industry and Commerce and Tourism.

The Directors take this opportunity to express their appreciation to the leadership led by His Majesty King Hamad bin Isa Al Khalifa, HRH the Prime Minister Prince Khalifa bin Salman Al Khalifa and HRH the Crown Prince, Deputy Supreme Commander and First Deputy Premier Salman bin Hamad Al Khalifa, the Ministry of Industry, Commerce and Tourism, Shareholders and employees of the Company for their support since the establishment of the Company. We look forward to sharing a productive and successful 2020 with you.

And here, I wish to extend my sincere thanks and personal appreciation to the distinguished shareholders for their patience, confidence and support to the Company, hoping that, with Allah's willing, we keep meeting their expectation and exceed them in the future



**Ali Ahmed Al Bagheli**  
Chairman

# Board of Directors



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## 1- Mr. Ali Ahmed Al Baghli

Chairman, Experience: Over 44 Years

Mr. Ali Al Baghli is holding a wide range of professional expertise in the fields of Law, Legal Consultancies and Business also he held many Governmental and Parliament positions. He holds a Master Degree in Comparative Law from Brunell University, United Kingdom. Mr. Al Baghli was the Minister of Oil during the period from 1992 to 1994 as well as a member of the Kuwaiti Parliament during the period from 1992 to 1996. In addition to Chairmanship in Reef Holding Company, Mr. Al Baghli sat on the Chairman position of National International Holding Company till 2013 and he is currently the Chairman of Al- AHLIA Holding Company ( K.S.C)closed in Kuwait.

## 2- Mr. Saud Kanoo

Vice Chairman, Experience: Over 34 Years

Mr. Saud Kanoo is a pioneer in the real estate investment and development market and the leader of many successful real estate projects. He is the Deputy Chairman of Property Co. YBA Kanoo WLL and the Chairman of Ossis BSC (c), Marsa Project Services Co WLL, Marsa Leisure Co. (Holdings) WLL, Dragon Resort WLL, Jenina Real Estate Holding WLL, Marsa Health & Sports Club Co. WLL, Marsa Hotels Co BSC (c), Chairman - Al Saraya Properties, SAJAN Properties, Chairman – Unicom Graphics WLL and various other Board Memberships. Mr. Saud Kanoo holds a B.S in Civil Engineer/ Arch. Engineer from Georgia Institute of Technology, Georgia, USA and holder MBA in Business Administration from Mercer University, Atlanta, Georgia, USA.



### 3- Mr. Faisal Al Matrook

Board Member, Experience: Over 44 Years

Mr. Faisal Al Matrook is the Executive Chairman of Contech Group and Jasaf Building Technology Company in the United Arab Emirates, also Vice Chairman and Head of the Executive Committee at Noor Capital (Abu Dhabi) and Member of the Board of DEPA Group (Dubai), the largest Company in the region with various activities in the field of interiors and hotel fit out & furnishings. In the Kingdom of Bahrain, Mr. Al Matrook is Chairman of the following companies: Al Matrook Group; Kingdom Group of Companies; Amwaj Education Company; Arabian Dredging; Bahrain Mineral Company; Nardin Real Estate Developers; and Dana Company. In addition, he is an Executive Director of Ossis Real Estate (developer of Amwaj Islands in Bahrain), and director of Al Sharif Group, Al Ahlia Shipping Company and Meritas Investments. At Reef, Mr. Al Matrook currently serves as the Chairman of the Executive committee and a member of the Nomination and Remuneration Committee.

### 4- Mr. Naser Al Gharibah

Board Member, Experience: Over 39 Years

Mr. Naser Al-Gharibah is the Managing Director of Global Bahrain. He received his Bachelor's degree from Mercer University in 1984, Georgia, USA. He has more than 35 years of Professional experience in the financial sector ranging from insurance to investment banking in both of the regional and international markets. Currently Mr. Al Gharibah is the General Manager of Global Investment House - Bahrain.

### 5- Mr. Abdul Hamid

Board Member, Experience: Over 17 Years

CFA, MBA, Senior Vice President special situations – Asset Management at Global Investment House, Abdul Hamid is a seasoned investment professional with comprehensive knowledge and experience in the GCC and wider MENA region. He brings over 15 years of experience in asset management, investment banking, restructuring and exit strategies development. He played an active role in Global's USD 1.7bn debt restructuring and successfully transformed the principle investments division into an Asset Management business pillar. Abdul Hamid heads the Special Situations Asset Management department which currently manages a portfolio of special situation assets worth USD450mn and entails proactive management of the underlying positions; focusing on creating and enhancing the value and ensuring an orderly asset disposition. Over the past 36 months Abdul Hamid led the disposals of assets worth ~USD 350mn at an implied exit multiple over targeted asset value of around 1.5x. Abdul Hamid is a board member of a number of regional and international companies in the real estate, insurance, food, industrial, and financial services sectors. During his career, he led or co-led a number of investment banking transactions worth USD700mn covering valuations, financial advisory, mergers & acquisitions, capital raising, bond issuance, financial restructuring and listing mandates. He started his career in the asset management field where he was a member of a fund management team managing two equity mutual funds.

### 6- Mr. Yaser Al Jar

Board Member, Experience of 22 Years

Mr. Yaser Al Jar holds professional experience of around 20 years mainly in the fields of external assurance services, commercial and investment banking, and real estate sector. Mr. Yaser started his career in 1998 with Arthur Andersen, one of the largest international audit firms at that time, as external auditor. Subsequently, Mr. Yaser held a number of key positions as Chief Financial Officer in a number of reputable institutions, namely Inovest B.S.C, Al Khaleej Development Co. (Tameer), Shamil Bank of Bahrain (merged with Ithmaar Bank) and Qatar First Investment Bank.

Yaser holds a B.Sc in Accounting from the University of Bahrain. He holds Certified Islamic Public Accountant "CIPA" and Certified Shari'a Advisor Auditor "CSAA" certificates from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is an accredited instructor of the Islamic Standards issued by AAOIFI. Mr. Yaser has been appointed as a member of Technical Advisory and interpretation Committee of AAOIFI.

### 7- Mr. Waleed Al Khaja

Board Member, Experience: Over 34 Years

Mr. Waleed Alkhaja joined the Pension Fund Commission in Bahrain as Director of Investment in 2005 after 19 years in the Investment Directorate at the Ministry of Finance. In 2008 he became Director of Investment in the Social Insurance Organization (Pension) and in 2010 Executive Director in SIO Asset Management Company. In 2013 he joined his family-owned business. Mr. Alkhaja is the Managing Director of AMAK Property & Development. Mr. Alkhaja served for two terms on the Board of Directors of Seef Properties and Bahrain Tourism Co.BSC, and on the Board of Directors of Batelco Group. Currently he is the Chairman of First Bahrain Real Estate Development Co. KSC. And he also serves on the Board of Directors of Gulf Educational Projects (Applied Science University) and AMAK & Sons. He enjoys a wealth of experience, knowledge and professionalism in the investment business sector. Mr. Alkhaja holds a bachelor degree in Business Administration from North Texas State University.

# Management Team



## ▶ Mr. Hasan Dhaif

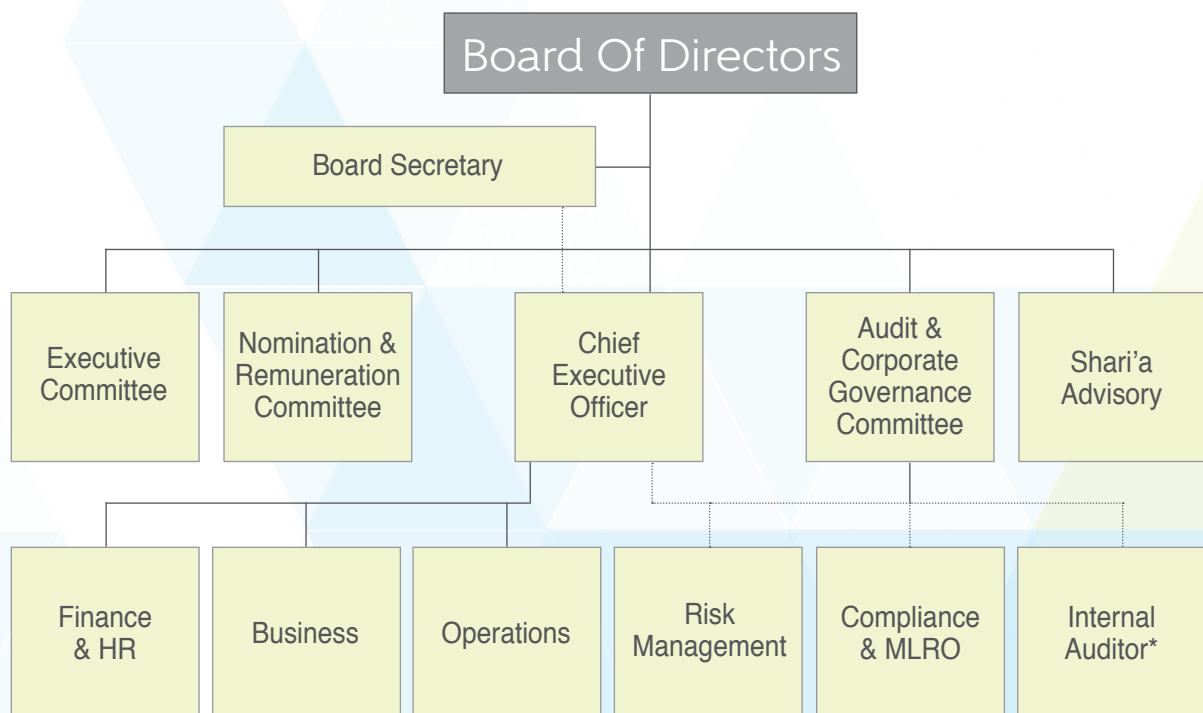
Chief Executive Officer, Experience: Over 24 Years

Mr. Hasan Dhaif has over 24 years experience in banking, management, finance and auditing. He is Board Member in Reef Investment UK B.S.C (c).

Before joining Reef in April 2008 he worked with a number of reputable local and multinational organizations such as Al Baraka Banking Group, National Bank of Bahrain, Bahrain Commercial Facilities Company, Zain Telecommunication and prior to this he was a member of the Audit team at Andersen.

Mr. Dhaif is a Certified Public Accountant (CPA) and a holder of BSc in Accounting from University of Bahrain.

# Organisation Chart



\* Grant Thornton - Abdulaal

# Corporate Social Responsibility

“We embrace and support partnerships of mutual benefits; this has always lead us to better serve our organisation as well as our community”

Reef Holding Company adpots Sharia compliant business model, our operations are supported by set of rules, policies and procedures and take into considration the intrest of our shareholders and other stakeholders.

# Corporate Governance Report

## Corporate Governance Philosophy

The corporate governance framework is aiming to establish a sound of good corporate governance environment at all the time to meet its strategic objectives of safeguarding and maintaining a steady growth of the shareholders interest. Reef is dedicated to adopt the highest standards of corporate governance. The Company seeks to balance entrepreneurship, compliance and industry best practices, while creating value for all stakeholders. This includes, but is not limited to, conducting the policy and affairs of Reef in compliance with regulatory requirements. It also involves having the right checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

This section is designed in accordance to the Corporate Governance Code issued on 19<sup>th</sup> March 2018 by the Ministry of Industry, Commerce and Tourism Decree No. (19) for 2018 concerning the issuance of the Corporate Governance code, which was published in the official gazette No. 3360 on Thursday 5<sup>th</sup> of April 2018, which is applicable to all joint stock companies incorporated in Bahrain expect for joint stock companies licensed by the Central Bank of Bahrain.

# Corporate Governance Report

(Continued)

**1- Description of the actions taken to complete the Corporate Governance Code during the year 2019 and how they were applied.**

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behavior. The Company has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. The Code of Conduct defines how the Company relates to its employees, shareholders and the community in which the Company operates. The Board of directors has adopted the code of Business Conduct and a company Whistle-blower policy to monitor compliance with company ethics.

There have been no changes to the Company corporate governance guidelines of the Company during 2019.

**2- Description of the transactions of the Directors, their spouses and sons on the Company's shares during the year 2019 according to the following table:**

The Directors, their spouses and sons did not trade in Company's shares during the year ended 31 December 2019.

**3- Composition of the Board:**

**a) Description of the current Board composition according to the following table:**

The following table summaries the information about the profession and business title & composition of the current Board members;

#	Name of Board Member	Title	Type	Experience in years	Qualification
1	Mr. Ali Al Baghli	Chairman	Non - Executive Non-independent	44	Master
2	Mr. Saud Kanoo	Vice Chairman	Non - Executive Independent	34	MBA
3	Mr. Faisal Al Matrook	Director	Non - Executive Non-independent	44	MBA
4	Mr. Naser Al Gharibah	Director	Non - Executive Non-independent	39	BBA
5	Mr. Abdul Hamid Mihrez	Director	Non - Executive Non-independent	17	CFA
6	Mr. Yaser Al Jar	Director	Non - Executive Non-independent	22	Certified Islamic Professional Accountant
7	Mr. Waleed Al Khaja	Director	Non - Executive Independent	34	BA

# Corporate Governance Report

(Continued)

The following table summarises the information about the current Board members title, year of first election/ appointment & number of years in the Board:

#	Name of Board Member	Nationality	First Election / Appointment Years Date	Total No. of Experience with Reef	Directorship in Other Companies	Position
1	Mr. Ali Al Baghli	Kuwaiti	2005	14	Attorneys Legal Consultants	Lawyer
2	Mr. Saud Kanoo	Bahraini	2009	10	YBA Kanoo	Businessman
3	Mr. Faisal Al Matrook	Bahraini	2005	14	FAM Corp	Chairman
4	Mr. Naser Al Gharibah	Kuwaiti	2008	11	Global Investment House	Managing Director
5	Mr. Abdul Hamid Mihrez	Lebanese	2017	4	Global Investment House	Executive Vice President
6	Mr. Yaser Al Jar	Bahraini	2016	3	Inovent Co BSC	CEO
7	Mr. Waleed Al Khaja	Bahraini	2015	4	First Bahrain Real Estate Development Company K.S.C.(c)	Chairman

## b) Remuneration:

- 1- Total remunerations paid to the directors for the year 2018 was BD 36,000/-.
- 2- The proposed total remunerations to be paid to the directors for the year 2019 will be presented at the Annual General Meeting for approval.
- 3- Description of the sitting fee paid to the Board amounted to BD 17,900 during the year as a basic fee. Below table shows individual Directors fee payment.

#	Name of Directors	Board / Committee	Sitting Fees Amount (BHD)
1	Mr. Ali Al Baghli	Board / NRC	3,050
2	Mr. Saud Kanoo	Board / NRC / ACGC	3,250
3	Mr. Faisal Al Matrook	Board / NRC / EXCOM	3,100
4	Mr. Naser Al Gharibah	Board / EXCOM	2,400
5	Mr. Abdul Hamid Mihrez	Board / EXCOM	1,600
6	Mr. Yaser Al Jar	Board / ACGC	2,250
7	Mr. Waleed Al Khaja	Board / ACGC	2,250
<b>Total Amount Paid – Sitting Fee</b>			<b>17,900</b>

# Corporate Governance Report

(Continued)

## c) Number and dates of the Board's meetings held during the financial year 2019, in addition to the number of times Directors attended in person:

Director Name	No of Meetings attended	Dates of Meetings	Attendance %
Mr. Ali Al Baghli	4		100 %
Mr. Saud Kanoo	4	3 <sup>rd</sup> April 2019	100 %
Mr. Faisal Al Matrook	4	26 <sup>th</sup> September 2019	100 %
Mr. Naser Al Gharibah	4	7 <sup>th</sup> November 2019	100 %
Mr. Abdul Hamid Mihrez	3	5 <sup>th</sup> December 2019	75 %
Mr. Yaser Al Jar	4		100 %
Mr. Waleed Al Khaja	4		100 %

## d) Description of the Board's duties and competences carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation.

### Board and Directors' Responsibilities:

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of the Shareholders interests. The Board's role and responsibilities include but not limited to:

- I. Monitoring the overall business performance
- II. Monitoring management performance and succession plan for senior management
- III. Monitoring conflicts of interest and preventing abusive related party transactions
- IV. Accurate preparation of the end of year financial statements
- V. Convening and preparing the Shareholders' meeting
- VI. Recommend dividend payable to Shareholders and ensure its execution
- VII. Adapt, implement and monitor compliance with the company's code of ethics
- VIII. Review the company's objectives and policies relating to social responsibilities
- IX. Select, interview and appoint General Manager and other selected members of the executive management

In this respect, the Directors remain individually and collectively responsible for performing all Board of Directors tasks.

Election/re-election of Board takes place every three years at the meeting of the shareholders. Termination of a Board members mandate at the meeting usually occurs by dismissal of the shareholders or by the member's resignation from the Board of Directors.

### Material transactions requiring Board approval

The following material transactions require board review, evaluation and approval:

- o Company strategy
- o Annual budget
- o Major resource allocations and capital investments
- o Management responsibilities and training, development and succession plan for Senior Management.



# Corporate Governance Report

(Continued)

**e) Details of transactions with related parties (Stakeholders), indicating the nature of relationship and type of transaction.**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the major shareholders, directors, key management personnel and their close family members and such other companies over which the Company or its major shareholders, directors, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorized by the management and are on arm's length basis.

Related party Relationship	Transaction type	For the year ended Transaction amount	
		31 <sup>st</sup> December 2019	31 <sup>st</sup> December 2018
Directors	Directors remuneration	36,000	70,000
Directors	Board member fees and allowances	22,500	18,350
Key management personnel *	Salaries and other short-term benefits	71,000	87,113
Directors	Premises leased	16,154	31,539

\* Key management personnel are those staff members who have authority and responsibility for planning, directing and controlling the activities of the Company.

**f) The Company's organizational structure, including the first and second grades at a minimum and including the Company's general manager and/or chief executive officer, deputy general manager and managers.**

(Refer to page No. 11)

# Corporate Governance Report

(Continued)

**g) Total remunerations paid to the key Executive Officers (the top five employees), including salaries, benefits, allowances, increments, stock options, end-of-service benefits, pensions, etc.**

Total remunerations paid to the key Executive Officers for the year ended 31 December 2019 amounted to BD 71,000 (2018: BD 87,113)

**4- External Auditors:**

Name of the Audit Firm	BDO
Years of Service as the Company's external Auditor	Since 2005
Name of the partner in charge of the Company's audit	Mr. Arshad Gadit
The partner's years of service as the partner in charge of the Company's audit	Seven years
Total Audit fees for the financial statements for the year 2019 (in BD)	The information will be kept at corporate office as confidential and will produce on request after approval of Board of Directors.
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019.	

**5- Audit & Corporate Governance Committee:**

Audit & Corporate Governance Committee is in-charge of overseeing the internal and external audit, as well as compliance, anti-money laundering and Corporate Governance. The Committee must meet at least four times a year.

The primary aim of the Committee is to assist the Board of Directors in fulfilling its responsibilities to the shareholders and other stakeholders in relation to accounting reporting practices and the quality and integrity of the financial reports of the Company as well as ensuring that a sound system of internal controls has been maintained to mitigate financing risks.

Director's Name	Type	Position	Dates of Meetings	Number of Meetings attended
Mr. Saud Kanoo	Non – Executive Independent	Chairman	3 <sup>rd</sup> April 2019	4
Mr. Yaser Al Jar	Non – Executive Non – Independen	Member	26 <sup>th</sup> September 2019 7 <sup>th</sup> November 2019	4
Mr. Waleed Al Khaja	Non – Executive Independent	Member	5 <sup>th</sup> December 2019	4

# Corporate Governance Report

(Continued)

## 6- Nomination & Remuneration Committee

The Nomination & Remuneration Committee is established to comply with the Corporate Governance requirements. It is responsible for identifying persons qualified to become members of the Board or Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and other officers of the Company considered appropriate by the Board, with the exception of the appointment of the internal auditor which shall be the responsibility of the Audit & Corporate Governance Committee. The Committee can make recommendations to the Board including recommendations of candidates for the Board membership to be included by the Board on the agenda for the next AGM meeting besides reviewing the Company’s remuneration policies for the Board and senior management which should be approved by the shareholders in the AGM meetings and in compliance with Article 188 of Bahrain Commercial Companies Law. The Committee will make recommendations regarding remuneration policies and amounts for specific persons to the whole Board considering the total remuneration including salaries, fees, expenses and employee benefits as well as evaluate and remunerate Board members based on their attendance and performance. The Committee must meet at least two times a year.

Director’s Name	Type	Position	Dates of Meetings	Number of Meetings attended
Mr. Ali Al Baghli	Non – Executive Non – Independent	Chairman	3 <sup>rd</sup> April 2019	2
Mr. Saud Kanoo	Non – Executive Independent	Member	5 <sup>th</sup> December 2019	2
Mr. Faisal Al Matrook	Non – Executive Non – Independent	Member		2

## 7- Corporate Governance Committee

Please refer to number 5 above “Audit & Corporate Governance Committee”.

## 8- Corporate governance officer’s name, qualifications, date of appointment, and contact details.

Name	Mr. Hasan Dhaif
Qualification	CPA
Date of Appointment	3 April 2019
Contact Details	Tel.: 17558645, Fax: 17556333 - email: hdhaif@reef.bh

## 9- Details of any irregularities committed during the financial year, their causes (if any), and the plan to address them in order to avoid future recurrence.

There were no irregularities committed or reported during the financial year 2019.

# Corporate Governance Report

(Continued)

10- Description of the cash and in-kind contributions made by the Company during the year 2018 for the purpose of community development and environment preservation (In the absence of contributions, it should be stated that the Company did not make any contributions), indicating the recipients of these contributions.

BD 10,000 was approved by the shareholders and was distributed by the Company during the year 2019.

No.	Society Name	اسم الجمعية	Amount in BD
1	Hamad Town Charity Society	جمعية مدينة حمد الخيرية	500.000
2	MalKiya Charity Society	جمعية المالكية الخيرية	500.000
3	Amina Charity Association	جمعية أمينة للأعمال الخيرية	500.000
4	Bahrain Society For S.C.D Patients Care	جمعية البحرين لرعاية مرضى السكر	500.000
5	Jidhas Charity Society	جمعية جد حفص الخيرية	500.000
6	Isa Town Social Charity Society	جمعية مدينة عيسى الخيرية الإجتماعية	500.000
7	Al Hamala Social, Charity, Cultural Society	جمعية الهملة الثقافية الخيرية الإجتماعية	500.000
8	Janosan Charity Society	جمعية جنوسان الخيرية	500.000
9	Busaiteen Sports & Cultural Club	نادي البسيتين الرياضي والثقافي	500.000
10	Darkulaib Charity Social Society	جمعية داركليب الخيرية الإجتماعية	500.000
11	Hasan Helal	حسن هلال	3,000.000
<b>Total</b>		<b>المجموع</b>	<b>8,000.000</b>

a. Statement of shareholders' equity as of 31<sup>st</sup> December 2019 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign.

#	Shareholder Classification	SHARE HOLDING %			Total
		Individuals	Corporate	Government or Organizations	
1	Local	10.40%	69.40%	-	79.80%
2	Arab	12.60%	7.60%	-	20.20%
3	Foreign	-	-	-	-
	<b>Total</b>	<b>23.00%</b>	<b>77.00%</b>	<b>-</b>	<b>100.00%</b>

# Corporate Governance Report

(Continued)

**b. Description of the Shareholders who hold 5% or more of the Company's share capital, indicating the name of the natural person who holds the shares, the final beneficiary, as at 31<sup>st</sup> December 2019 as follows:**

Name	Nationality	Number of Shares	Share %
Gimbal Holding Co S.P.C.	Bahraini	53,354,451	46.168%
Ossis B.S.C.(c)	Bahraini	12,164,926	10.526%
Inovest B.S.C.	Bahraini	12,164,926	10.526%
H.E. Sh. Sultan Bin Khalifa Al Nahyan	Emirati	6,690,710	5.789%
Al Dammam Development Company S.S.C (c)	Saudi	5,869,577	5.079%
Other shareholders	Multiple	25,322,205	21.91%
<b>Total</b>		<b>115,566,795</b>	<b>100.00%</b>

**c. Description of how shareholders are distributed according to their respective shareholding as at 31<sup>st</sup> December 2018 as follows:**

#	Shareholding (Share)	No. of shareholders	Number of shares held	Shareholding %
1	< 50,000	11	445,829	0.4%
2	50,000 to 500,000	66	10,244,599	8.9%
3	500,000 to 5,000,000	12	14,631,777	12.7%
4	> 5,000,000	5	90,244,590	78.1%

**d. Description of the significant events that occurred during the year 2019:**

In 2019, shareholders approved in their EGM the second capital reduction. Share capital was reduced from BD12,840,755 to BD 11,556,580. The necessary legal formalities for restructuring the share capital with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain were completed in 2019.

# Corporate Governance Report

(Continued)

## 11- Compliance with the provisions of the Corporate Governance Code, as follows:

Principle	Non-compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
<b>Principle 1:</b> The Company shall be headed by an effective, qualified and expert board.		Partially Compliant		Explained Below
<b>Principle 2:</b> The directors and executive management shall have full loyalty to the company.			Compliant	
<b>Principle 3:</b> The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.			Compliant	
<b>Principle 4:</b> The Company shall have effective procedures for appointment, training, and evaluation of the directors		Partially Compliant		Explained Below
<b>Principle 5:</b> The Company shall remunerate directors and senior officers fairly and responsibly.		Partially Compliant		Explained Below
<b>Principle 6:</b> The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			Compliant	
<b>Principle 7:</b> The Company shall communicate with shareholders, encourage their participation, and respect their rights.			Compliant	
<b>Principle 8:</b> The Company shall disclose its corporate governance.			Compliant	
<b>Principle 9*:</b> The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.		Partially Compliant		
<b>Principle 10:</b> The Company shall seek through social responsibility to exercise its role as a good citizen.			Compliant	
<b>Principle 11:</b> Companies which offer Islamic services shall adhere to the principles of Islamic Sharia.*		Partially Compliant		

\* Applicable only to the companies offering Islamic services.

# Corporate Governance Report

(Continued)

***Principle 1: The Company shall be headed by an effective, qualified and expert board.***

Principle 1 requires that the Company's Articles of Association (AOA) shall specify the requirements for executive, non-executive and independent directors whereas at least half of the directors shall be non-executive directors and at least three of whom shall be independent directors who meet the requirements set forth in Appendix 1 to the Code. The Chairman of Board shall be an independent director and shall not, himself or his deputy, in any case be the Company's chief executive officer, in order to have a proper balance of powers and authorities and have greater substantive capacity for the Board of Directors to take decisions independently and the Board shall have a secretary who may be appointed or removed by a resolution from the Board of Directors. The secretary shall be selected from among the directors or outside the Board. However, the Company's Articles of Association (AOA) does not contain requirements for executive, nonexecutive and independent directors. Out of seven directors, two of them are independent. The Chairman of the Board is not an independent Director. The Company will amend the Articles of Association (AOA). The Company will consider the corporate governance requirements with regards to the independence of Chairman in the next Board of Directors election.

***Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors***

Principle 4 requires that the Nomination Committee shall include independent directors or non-executive directors, the majority of whom shall be independent, and the Chairman of the committee shall be an independent director. However, the Nomination Committee consists of three directors and only one of them is independent director and Chairman of the Nomination Committee is not an independent director.

The Company will consider the corporate governance requirements with regards to the independence of Chairman and Committee members in the next Board of Directors election.

***Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.***

Principle 5 requires that the Board of Directors from among its directors shall establish a remuneration committee consisting of three independent directors or non-executive directors, the majority of whom shall be independent. The Chairman of the committee shall be an independent director. However, the Remuneration Committee consists of three directors and only one of them is independent director and Chairman of the Remuneration Committee is not an independent director.

The Company will consider the corporate governance requirements with regards to the independence of Chairman and Committee members in the next Board of Directors election.

***Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Sharia.***

Principle 9 requires that the Shari'a Supervisory Board ("SSB") consists of at least 3 Shari'a scholars and Shari'a Corporate Governance Committee ("SCGC") consists of at least 3 members, one of whom is the Company's Shari'a supervisory board member.

The Company has outsourced the role to Shari's Supervisory Board to Shaikh Dr. Osama Mohammed Bahar, who is the Sharia Supervisory Advisor of Company.

***Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.***

Principle 11 requires from the Company to formulate a corporate social responsibility policy and disclose the corporate social responsibility activities in the annual report. However, the Company does not formulate a corporate social responsibility policy. The Company will formulate a policy for the corporate social responsibility.

***12- Any disclosures required by the regulatory authorities.***

NONE

# Sharia'a Supervisory Advisory Report

For the period from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019



**Sheikh Dr. Osama Mohamed Bahar**  
**Sharia' Advisor**

Sharia's Supervisory Advisor Report  
Reef Holding Co. BSC (C)  
For the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2019

**Praise be to Allah, prayer and peace upon our master Muhammad the Imam of the prophets and Messengers and his family and companions and allies.**

It has been submitted to the company's Shari'a supervisory advisory the investment operations as well as the activities done by the company. The Shari'a s supervisory advisory as well reviewed the audited financial statements for the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2019.

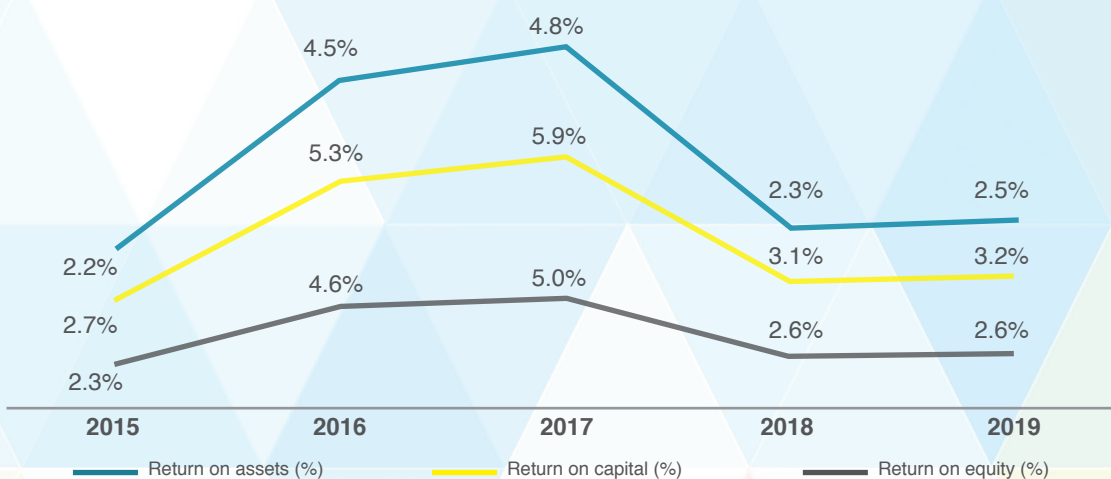
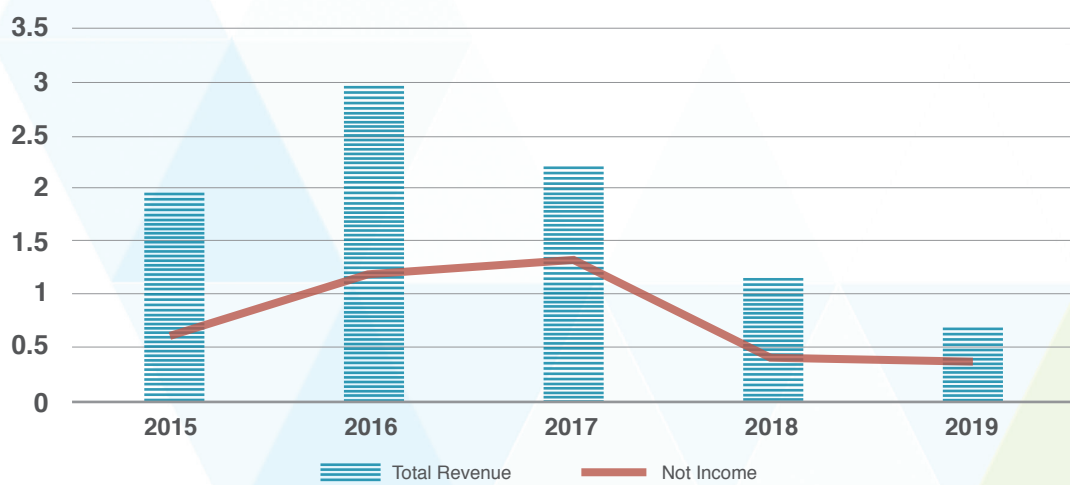
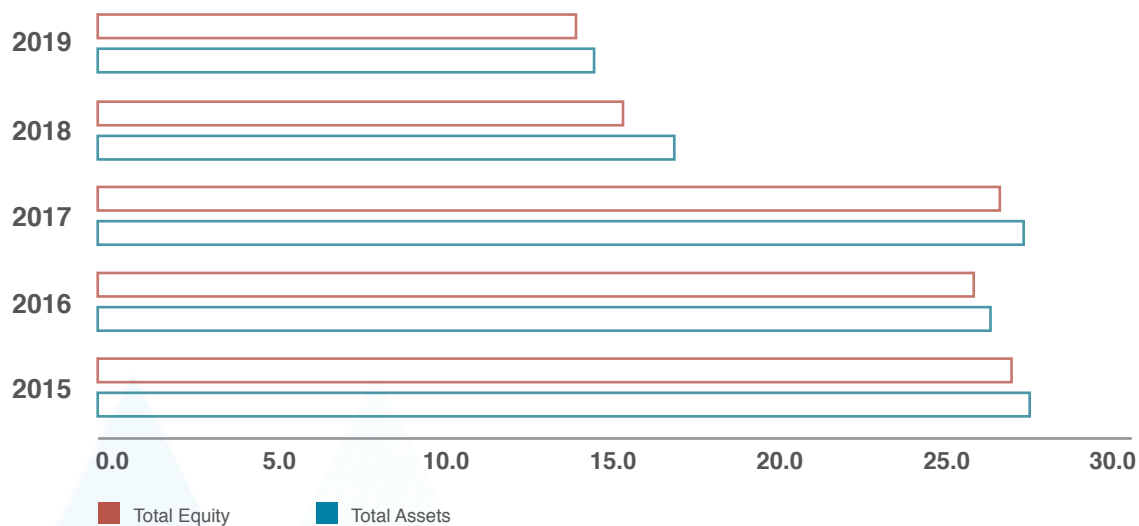
The review was commissioned to issue an opinion on whether the company had followed the principles and provision of the Islamic Shari'a Advisory of the company. Where the responsibility lies with the company to ensure that it operations are in compliance with the issued Shari'a legitimate, our responsibility is limited to express an independence opinion on the company's operations done during the current year, and therefore decides the following:

1. The company,s contracts, transaction and operations for the year ended 31<sup>st</sup> December 2019 are in compliance with the provision and principles of Islamic Shari'a.
2. The calculation of the company,s profit and the losses charged to it investment operation are in compliance with the provisions and principles of the Islamic Shari'a.
3. The realized earnings from sources that are not compatible with the principles and provisions of Shari'a have been donated for charitable purposes
4. The Zakah has been calculated in accordance with the Shari'a requirement.

And Allah is the source of successes



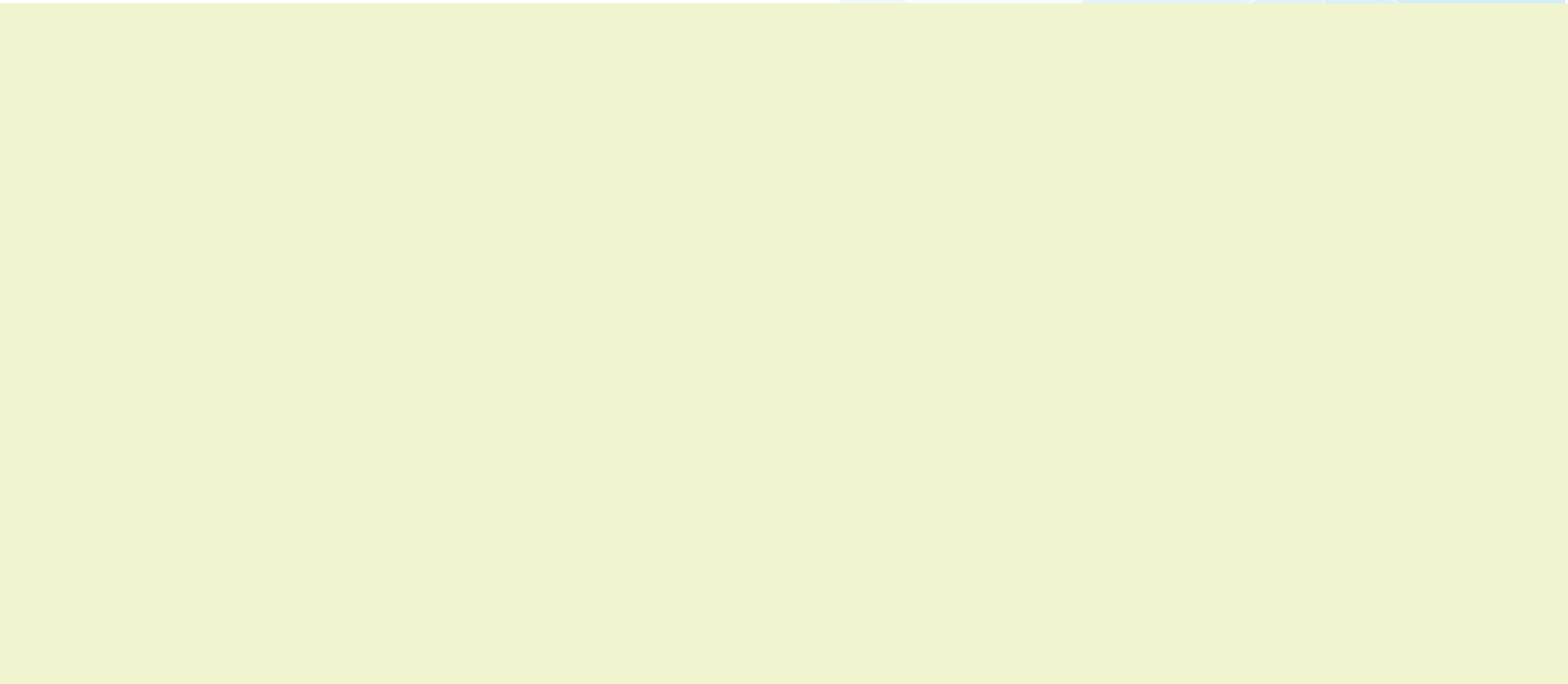
# Financial Highlights





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# Independent Auditor's Report to the Shareholders of Reef Holding Company BSC (c) (Formerly known as Reef Real Estate Finance Co. B.S.C. (c))

## Report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Reef Holding Co. B.S.C. (c) ("the Company") and its subsidiaries (collectively referred as "the Group") as of 31<sup>st</sup> December 2019 and the related consolidated statements of income, the consolidated changes in Owners' equity and the consolidated cash flows and a summary of significant accounting policies and other explanatory information for the financial period then ended.

## Responsibilities of Board of Directors and auditors

These consolidated financial statements and the Group's undertaking to operate in accordance with Shari'a Rules and Principles are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

## Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

# Independent Auditor's Report to the Shareholders of Reef Holding Company BSC (c) (Formerly known as Reef Real Estate Finance Co. B.S.C. (c))

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated statement financial position of the Group as of 31<sup>st</sup> December 2019, the results of its operations, its cash flows and its changes in Owners' equity for the year then ended in accordance with the Shari'a Rules and Principles and in accordance with the Financial Accounting Standards issued by AAOIFI.

## Report on other legal and regulatory requirements

- (A) As required by the Bahrain Commercial Companies Law with respect to the Company, we report that:
- (1) we have obtained all the information we considered necessary for the purpose of our audit;
  - (2) the Company has maintained proper books of account and the financial statements are in agreement therewith; and
  - (3) the financial information disclosed in Chairman's report is consistent with the books of accounts of the Company.
- (B) As required by the Ministry of Industry, Commerce and Tourism in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
- (1) the Company has appointed a corporate governance officer; and
  - (2) the Company has Board approved written guidance and procedures for corporate governance.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, or its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31<sup>st</sup> December 2019.

BDO

Manama, Kingdom of Bahrain  
5 March 2020



Consolidated statement of financial position as at 31 December 2019  
(Expressed in Bahraini Dinars)

	Notes	31 <sup>st</sup> December 2019	31 <sup>st</sup> December 2018
<b>ASSETS</b>			
Cash and bank balances	4	537,823	2,421,949
Investment securities	5	11,629,392	12,253,137
Investment in real estate	6	2,244,324	2,536,311
Receivables and prepayments	7	498,111	163,012
Property and equipment	8	844	3,168
<b>Total assets</b>		<b>14,910,494</b>	<b>17,377,577</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Murabaha financing	9	507,178	507,178
Other liabilities	10	94,093	1,285,646
		<b>601,271</b>	<b>1,792,824</b>
<b>Owners' Equity</b>			
Share capital	11	11,556,679	12,840,755
Statutory reserve	12(i)	1,543,890	1,506,486
Properties fair value reserve	12(ii)	434,346	724,196
Foreign currency translation reserve	12(iii)	(701,216)	(944,235)
Investment fair value reserve		(416,664)	(98,001)
Retained earnings		1,892,188	1,555,552
		<b>14,309,223</b>	<b>15,584,753</b>
<b>Total liabilities and Owners' equity</b>		<b>14,910,494</b>	<b>17,377,577</b>

The audited consolidated financial statements were approved, authorised for issue by the Board of Directors and signed on their behalf by:



Ali Ahmed Al Baghli  
Chairman



Saud A. Aziz Kanoo  
Vice Chairman

Consolidated statement of income as at 31 December 2019  
(Expressed in Bahraini Dinars)

	Notes	31 <sup>st</sup> December 2019	31 <sup>st</sup> December 2018
<b>Income</b>			
Gross Ijarah income		-	80,657
Less: Depreciation on Ijarah Muntahia Bittamleek		-	(34,460)
		-	46,197
Profit from Mudaraba investments		12,354	179,804
Net rental income from investment in real estate	6	92,742	64,643
Profit from investment securities	14	386,661	609,272
Net gain on sale of investment in real estate		-	36,904
Net gain on sale on investment securities		98,920	3,432
Other income		13,463	-
Liabilities no longer payable written-off		80,653	-
Recovery of provision of Ijarah Muntahia Bittamleek rental receivables		-	151,301
Allowance no longer required for Ijarah Muntahia Bittamleek rental receivables		-	72,649
		<b>684,793</b>	<b>1,164,2029</b>
<b>Expenses</b>			
Staff costs		132,816	272,163
General and administrative expenses		147,266	256,684
Depreciation of property and equipment	8	2,734	5,262
Depreciation on investment in real estate	6	2,916	1,405
Finance costs		22,975	20,744
Investment fees and charges		1,290	4,622
Net foreign exchange losses		756	125,480
Net unrealised fair value losses on fair valuation of investment securities	5	-	77,248
		<b>310,753</b>	<b>763,608</b>
<b>Net profit for the year</b>		<b>374,040</b>	<b>400,594</b>
<b>Basic and diluted earnings per share</b>	<b>15</b>	<b>Fils 3.24</b>	<b>Fils 3.12</b>

The audited consolidated financial statements were approved, authorised for issue by the Board of Directors and signed on their behalf by:



**Ali Ahmed Al Baghli**  
Chairman



**Saud A. Aziz Kanoo**  
Vice Chairman

Consolidated statement of changes in Owners' equity for the year ended 31 December 2019  
(Expressed in Bahraini Dinars)

	Notes	Share capital	Treasury shares	Statutory reserve	Properties fair value reserve
<b>At 31<sup>st</sup> December 2017</b>		<b>24,042,900</b>	<b>(1,202,145)</b>	<b>1,466,427</b>	<b>813,840</b>
Dividend paid for the year 2017	13	-	-	-	-
Reduction of share capital	11	(11,202,145)	1,202,145	-	-
Net movement in properties fair value reserve on the sale of investment in real estate		-	-	-	(72,448)
Net movement in properties fair value reserve on revaluation of investment in real estate		-	-	-	(17,196)
Foreign currency translation loss on investment securities	5	-	-	-	-
Net profit for the year		-	-	-	-
Transferred to statutory reserve	12(i)	-	-	40,059	-
<b>At 31<sup>st</sup> December 2018</b>		<b>12,840,755</b>	<b>-</b>	<b>1,506,486</b>	<b>724,196</b>
Reduction of share capital	11	(1,284,076)	-	-	-
Net movement in properties fair value reserve on the sale of investment in real estate	6	-	-	-	(289,850)
Net unrealised fair value losses on revaluation of investment in securities	5	-	-	-	-
Foreign currency translation loss on investment securities	5	-	-	-	-
Net profit for the year		-	-	-	-
Transferred to statutory reserve	12(i)	-	-	37,404	-
<b>At 31<sup>st</sup> December 2019</b>		<b>11,556,679</b>	<b>-</b>	<b>1,543,890</b>	<b>434,346</b>



Consolidated statement of changes in Owners' equity for the year ended 31 December 2019  
(Expressed in Bahraini Dinars)

Foreign currency translation reserve	Investment fair value reserve	Retained earnings	Total
(438,135)	(98,001)	2,337,055	26,921,941
-	-	(1,142,038)	(1,142,038)
-	-	-	(10,000,000)
-	-	-	(72,448)
-	-	-	(17,196)
(506,100)	-	-	(506,100)
-	-	400,594	400,594
-	-	(40,059)	-
<b>(944,235)</b>	<b>(98,001)</b>	<b>1,555,552</b>	<b>15,584,753</b>
-	-	-	(1,284,076)
-	-	-	(289,850)
-	(318,663)	-	(318,663)
243,019	-	-	243,019
-	-	374,040	374,040
-	-	(37,404)	-
<b><u>(701,216)</u></b>	<b><u>(416,664)</u></b>	<b><u>1,892,188</u></b>	<b><u>14,309,223</u></b>

Consolidated statement of cash flows for the year ended 31 December 2019  
(Expressed in Bahraini Dinars)

	Notes	31 <sup>st</sup> December 2019	31 <sup>st</sup> December 2018
<b>Operating activities</b>			
Net profit for the year		374,040	400,5948
Adjustments for:			
Depreciation on property and equipment	8	2,734	5,262
Depreciation on investment in real estate	6	2,916	1,405
Depreciation on Ijarah Muntahia Bittamleek		-	34,460
Net (loss)/gain on sale of investment in real estate		-	35,544
Gain on sale of investment securities		(98,920)	(3,432)
Net unrealised fair value losses on revaluation of investment in securities	5	-	77,248
Foreign exchange loss/(gain) on translation of investment in securities		(243,019)	493,565
Changes in operating assets and liabilities:			
Receivables and prepayments		(335,099)	49,771
Other liabilities		(1,191,553)	913,178
<b>Net cash provided by operating activities</b>		<b>(1,488,901)</b>	<b>2,007,595</b>
<b>Investing activities</b>			
Net movement in Mudaraba investments above ninety days		-	2,030,314
Net movement in the foreign currency translation reserves		243,019	(506,100)
Net movement in Ijarah Muntahia Bittamleek		-	1,072,889
Purchase of property and equipment	8	(410)	(190)
Addition in investment in real estate	6	(779)	(158,476)
Additions in investment securities		(9,500)	-
Proceeds from sale of investment securities		656,521	3,206,532
Proceeds from sale of investment in real estate		-	154,500
Net movement in the investment properties fair value reserve		-	(72,448)
<b>Net cash provided by investing activities</b>		<b>888,851</b>	<b>5,727,021</b>
<b>Financing activities</b>			
Amount paid to shareholders on reduction of share capital		(1,284,076)	(8,928,847)
Dividend paid		-	(1,142,038)
<b>Net cash used in financing activities</b>		<b>(1,284,076)</b>	<b>(10,070,885)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,884,126)</b>	<b>(2,336,269)</b>
Cash and cash equivalents, beginning of the year		<u>2,421,949</u>	<u>4,758,218</u>
Cash and cash equivalents, end of the year	4	<u>537,823</u>	<u>2,421,949</u>

## 1) Organisation and principal activities

Reef Holding Co. B.S.C. (c) (formerly known as Reef Real Estate Finance Co. B.S.C. (c)) (“the Company”) and its subsidiaries (collectively referred as “the Group”). The Company is a closed Bahraini shareholding company and was operating as an Islamic financing company under license number 58073 granted by the Ministry of Industry Commerce and Tourism obtained on 3 May 2005. The Company commenced commercial operations on 10 September 2005.

The Company has cancelled its license with Central Bank of Bahrain (“CBB”) license number FC/001 as on 25 September 2018. On 7 August 2018, the Company applied to Ministry of Industry and Commerce and Tourism to change the name of the Company and principal activities and the request was approved on 25 October 2018. The Company’s name has been changed to Reef Holding B.S.C. (c) as on 25 October 2018. The Company has received a letter from CBB on 27 September 2018 stating that the Company’s licenses has been cancelled and its record has been removed from the CBB’s register according to CBB’s resolution No. 50 of 2018 issued on 25 September 2018.

The principal activities of the Company after de-licensing are of a holding company.

These consolidated financial statements, set out on pages 8 to 31, were approved and authorised for issue by the Board of Directors on 5 March 2020.

The registered office of the Company is in the Kingdom of Bahrain.

The structure of the Group is as follows:

### Subsidiaries

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2019	Effective ownership interest 2018
First Reef B.S.C. (c)*	Kingdom of Bahrain	Real estate activities with own or leased property	-	99.9%
Reef Investment UK B.S.C. (c)	Kingdom of Bahrain	Trust, funds and similar financial entities – Special Purpose Vehicle (SPV)	99.9%	99.9%

\* During the year, the Group has liquidated the Company.

## 2) Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, modified by the valuation of investment in real estate and investment in securities which are measured at their fair values. The consolidated financial statements of Group have been prepared on a going concern basis as at 31 December 2019.

Standards, amendments and interpretations issued but not yet effective in 2019

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2019. They have not been adopted in preparing the financial statements for the year ended 31 December 2019 and are expected to affect the entity in the period of initial application. In all cases, the Group intends to apply these standards from the effective date as indicated in the table below:

Standard or interpretation	Title	Effective for annual periods beginning on or after
FAS 30	Impairment, credit losses and onerous commitments	1 January 2020

The standard will be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

### FAS 30 - Impairment, credit losses and onerous commitments

AAOIFI has issued FAS 30 Impairment, Credit Losses and onerous commitments in 2017. FAS 30 replaces FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deals with impairment. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses each of these categories of assets:

1. Credit Losses approach;
2. Net Realisable Value approach; and
3. Impairment approach.

For the purpose of the standard, the assets and exposures shall be categorized, as under:

- a) Assets and exposures subject to credit risk (subject to credit losses approach)
  - i) Receivables; and
  - ii) Off-balance sheet exposures;
- b) Inventories (subject to net realizable value approach)
- c) Other financing and investment assets and exposures subject to risks other than credit risk (subject to impairment approach), excluding inventories.

Credit losses approach for receivables and off-balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12 month expected credit loss or a lifetime expected credit loss.

## 2) Basis of preparation (continued)

### *Standards, amendments and interpretations issued but not yet effective in 2019*

#### *Expected Credit Losses*

FAS 30 introduces the credit losses approach with a forward-looking 'Expected Credit Loss' («ECL») model. The new impairment model will apply to financial assets which are subject to credit risk. A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- i. Determining criteria for significant increase in Credit Risk (SICR);
- ii. Choosing appropriate models and assumptions for measurement of ECL;
- iii. Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL; and
- iv. Establishing benchmark of similar financial assets for the purposes of measuring ECL.

The Group has performed the assessment of FAS 30 at 31<sup>st</sup> December 2019 and concluded no significant impact on the consolidated financial statements.

#### **(a) Statement of compliance**

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Advisor of the Group, the Bahrain Commercial Companies Law, rules and procedures of the Company's memorandum and articles of association in accordance with the requirements of AAOIFI. For matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') issued by International Accounting Standards Board.

#### **(b) Shari'a rules and principles**

The Group has appointed a Shari'a Supervisory Advisor in accordance with the terms of its Articles of Association. The Shari'a Supervisory Advisor reviews the Group's compliance with general Shari'a principles and issued fatwas, rulings and guidelines on specific matters. The review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

The Group is committed to avoid recognising any income generated from non-Islamic sources. Any earnings prohibited by Shari'a are set aside for charitable purposes or otherwise dealt with in accordance with the directions of the Shari'a Supervisory Advisor.

#### **(c) Functional and presentation currency**

The consolidated financial statements have been presented in Bahraini Dinars ("BD"), being the functional currency of the Group's operations.

#### **(d) Basis of consolidation**

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries from the date that control effectively commenced until the date that control effectively ceased. Control is achieved when the Company has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. All intergroup balances, transactions and unrealised profits and losses are eliminated in full on consolidation.

## 2) Basis of preparation (continued)

### (e) Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

#### *Impairment*

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a specific asset or a group of assets may be impaired. An asset or a group of assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event(s) have an impact on the estimated future cash flows of the asset or the group of the assets that can be reliably estimated.

#### *Fair valuation of investments*

The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of the consolidated financial statements. The valuation of such investments is based on the fair value as explained in policy note. Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

#### *Valuation of investment in real estate*

The Group obtains valuations performed by external independent property valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The independent property valuers also make reference to market evidence of transaction prices for similar properties.

#### *Classification of investments*

In the process of applying the Group's accounting policies, management decides upon acquisition of an investment, whether it should be classified as investments carried at fair value through income statement, held at amortised cost or investments carried at fair value through equity. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

#### *Going concern*

The management of the Group reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Group ensure that they provide adequate financial support to fund the requirements of the Group to ensure the going concern status of the Group.

## 2) Basis of preparation (continued)

### (e) Critical accounting estimates and judgements (continued)

#### *Legal proceedings*

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

#### *Contingencies*

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

## 3) Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

### ***Cash and cash equivalents***

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances and short-term deposits with original maturities of less than 90 days.

### ***Investment in securities***

Investment in securities comprises of both equity-type investments and debt-type investments.

#### *(i) Classification*

The Group segregates its investment securities into debt-type instruments and equity-type instruments. Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

***Equity-type investments:*** Investments in equity type instruments are classified in the following categories 1) at fair value through income statement ('FVTIS'), or 2) at fair value through equity ('FVTE'), consistent with its investment strategy.

Equity-type investments classified and measured at FVTIS include investments designated at FVTIS and are managed and evaluated internally for performance on a fair value basis. This category currently includes an investment in private equity.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at FVTIS to be classified as investments at FVTE. These include investments in certain unquoted equity securities and private equity.

### 3) Significant accounting policies (continued)

#### ***Investment in securities (continued)***

*Debt-type Instruments:* Investments in debt-type instruments are classified at fair value through consolidated income statement ('FVTIS').

Debt-type investments classified and measured at FVTIS include investments designated at FVTIS. The Debt-type instruments at FVTIS include investments in medium to long-term (quoted) sukuk.

#### *(ii) Recognition and de-recognition*

Investment securities are recognised at the date, when the Group contracts to purchase or sell the asset or instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

#### *(iii) Measurement*

All investments securities are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in Owner's equity and presented in a separate fair value reserve within equity. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the consolidated income statement. Foreign exchange translation gains and losses arising out of (FVTE) are included in a reserve in the foreign currency translation reserve under Owners' equity.

Investments at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

#### ***Murabaha financing***

The Group finances these transactions through buying the commodity which represents the object of the Murabaha contract and then resells this commodity to the Murabaha (beneficiary) at a profit. The sale price (cost plus profit margin) is repaid in instalments by the Murabaha over the agreed period. The transactions are secured at times by the object of the Murabaha contract (in case of real estate finance) and other times by a total collateral package securing the facilities given to the Murabaha.

Murabaha financing is stated at cost less allowance for doubtful receivables.

Profit in respect of Group share in Murabaha financing shall be recognised on proportionate basis over the period of credit.

#### ***Investment in real estate***

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. The Group's investments in real estate are classified as held-for-use in accordance with FAS 26 - «Investment In Real Estate». Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in Owners' equity.



### 3) Significant accounting policies (continued)

#### ***Investment in real estate (continued)***

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period's unrealised gains shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed-off the cumulative gains previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

#### ***Receivables and prepayments***

Receivables and prepayments are carried at their anticipated realisable values. An allowance is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

#### ***Property and equipment***

Property and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Depreciation is calculated on the straight-line method to write-off the cost of property and equipment to their estimated residual values over their expected economic useful lives as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer hardware and software	3-2 years
Motor vehicles	3 years

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining net profit.

Repairs and renewals are charged to the consolidated statement of income when the expenditure is incurred.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written-down to their recoverable amounts.

#### ***Islamic financing***

Islamic financing liabilities comprise Murabaha and Wakalah financing and are stated at amortised cost.

#### ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

#### ***Employee benefits***

##### ***Short-term benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3) Significant accounting policies (continued)

#### *Employee benefits (continued)*

##### *Post-employment benefits*

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of income in the year to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

##### *Impairment of assets*

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

##### *Derecognition of assets and liabilities*

###### *Assets*

An asset (or, where applicable a part of a asset or part of a group of similar assets) is derecognised when:

- the right to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

###### *Liabilities*

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

### 3) Significant accounting policies (continued)

#### ***Offsetting***

Assets and liabilities are only offsetted and the net amount reported in the consolidated statement of financial position when there is a legal or religious enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### ***Revenue recognition***

##### **a) Income from Ijarah Muntahia Bittamleek**

Revenue from assets acquired for Ijarah Muntahia Bittamleek (leasing) contracts are recognised proportionately over the terms of the lease.

##### **b) Income from Mudaraba contracts**

Income from Mudaraba contracts is recognised to the extent profits are declared by the Mudarib.

##### **c) Profit on Murabaha and other financings**

Profit on Murabaha transactions is recognised by proportionately allocating the attributable profits over the period of the transaction where each financial period carries its portion of profits irrespective of whether or not cash is received.

##### **d) Fees and commissions**

Fees and commissions (including financing services) are recognised when earned.

##### **e) Other income**

Other income is accounted for on an accrual basis.

#### ***Dividends***

Dividends to owners are recognised as liabilities in the year in which they are declared.

#### ***Foreign exchange transactions***

Foreign currency transactions are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the consolidated statement of financial position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognised in the consolidated income statement. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions.

## 4) Cash and bank balances

	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Current account balances with banks*	187,323	1,421,449
Mudaraba investments with maturity period of less than three months**	350,000	-
Cash on hand	<u>500</u>	<u>500</u>
Cash and cash equivalents	537,823	1,421,949
Mudaraba investments with maturity period of more than three months	<u>-</u>	<u>1,000,000</u>
	<u><b>537,823</b></u>	<u><b>2,421,949</b></u>

\* The current account balances with banks are non-profit bearing.

\*\* Mudaraba investments placed with financial institutions earn market rates of profit receivable on maturity.

## 5) Investment securities

	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Opening balance	12,253,137	16,107,392
Additions	9,500	-
Disposals	(557,600)	(3,283,442)
Foreign exchange gains on translation of investment securities through profit or loss	-	12,535
Foreign exchange (losses)/gains on translation of investment securities through equity	243,019	(506,100)
Net unrealised fair value losses through equity	(318,663)	-
Net unrealised fair value losses through profit or loss	<u>-</u>	<u>(77,248)</u>
	<u><b>11,629,392</b></u>	<u><b>12,253,137</b></u>
	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Investment in equity-type instruments – Unquoted <i>Private equity</i>	10,061,892	10,685,637
Investment in debt-type instruments- Quoted	<u>1,567,500</u>	<u>1,567,500</u>
	<u><b>11,629,392</b></u>	<u><b>12,253,137</b></u>

## 5) Investment securities (continued)

### Investment – securities-wise analysis:

		<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
<b>Equity type instruments carried at fair value through consolidated statement of income</b>			
Manazel Qurtoba 2 fund	(a)	535,603	708,713
Jenina Real Estate Development Co. Ltd	(b)	1,885,777	1,508,053
<b>Equity type instruments carried at fair value through equity</b>			
APL PH1 Limited	(c)	737,956	1,731,295
APL 2B Limited	(d)	2,892,680	2,848,581
Global Greenridge Bracknell Limited (3M)	(e)	1,506,592	1,464,929
Global Greenridge Finco Limited (Manchester) (Stockport & Bury)	(f)	1,500,014	1,462,641
Global Greenridge 201 FINCO Limited (B&Q)	(g)	<u>1,003,270</u>	<u>961,425</u>
		<b>10,061,892</b>	<b>10,685,637</b>
<b>Debt-type instruments carried at fair value through consolidated statement of income</b>			
Government CBB sukuk	(h)	<u>1,567,500</u>	<u>1,567,500</u>
		<b>11,629,392</b>	<b>12,253,137</b>

(a) During the year 2013, the Group has invested BD1,008,713 in acquiring shares in Manazel Qurtoba 2 fund, floated by MEFIC Capital in Kingdom of Saudi Arabia. The main objective of this fund is to develop a property in Northern Riyadh, Kingdom of Saudi Arabia. During the year the Company has disposed-off partial investment in Manazel Quroba 2 fund amounting to BD 173,110. The Group has fair valued the investment during the year and concluded that the fair value is not significantly different from the carrying value.

(b) During the year 2014, the Group has invested BD 1,508,053 in Sky palaces project, Business Bay Dubai through an SPV “Jenina Real Estate Development Co. Ltd”. The Group has fair valued the investment during the year and recorded unrealised fair value gain amounting BD 377,724.

(c) During the year 2015, the Group has invested GBP 3,714,286 in acquiring the shares in APL PH1 Limited. The objective of the Company is to develop a property in the United Kingdom. The Group has fair valued the investment during the year and recorded unrealised fair value loss amounting to BD 1,043,713 and unrealised foreign exchange gain amounting to BD 50,376.

(d) During the year 2016, the Group has invested GBP 6,095,237 in acquiring the shares in APL 2B Limited. The objective of the Company is to develop a property in United Kingdom. The Group has fair valued the investment during the year and recorded unrealised fair value loss amounting to BD38,786 and unrealised foreign exchange gain amounting to BD82,885.

(e) During the year 2016, the Group has invested GBP 3,000,000 in Jersey Fin Co. (“SPV”) - 3M Bracknell, United Kingdom. The main objective of fund is capital appreciation and rental yield. The Group has fair valued the investment during the year and recorded unrealised fair value loss amounting to BD 962 and unrealised foreign exchange gain amounting to BD 42,625.

## 5) Investment securities (continued)

- (f) During the year 2018, the Group has invested GBP3,000,000 in acquiring shares in Global Greenridge Finco Limited (Manchester) (Stockport & Bury), United Kingdom. The main objective of fund is capital appreciation and rental yield. The Company has disposed of its partial investment in Stockport and Bury amounting to BD 384,490 (GBP 784,091). Further, after the disposal the percentage of the holding which is 34.09%, remains the same. The Group has fair valued the investment during the year and recorded unrealized fair value gain amounting to BD 382,704 and unrealised foreign exchange gain amounting to BD 39,158.
- (g) During the year 2018, the Group has invested GBP 2,000,000 in acquiring shares in Global Greenridge 201 FINCO Limited (B&Q), United Kingdom. The main objective of fund is capital appreciation and rental yield. The Group has fair valued the investment during the year and recorded unrealised fair value gain amounting to BD 4,370 and unrealised foreign exchange gain amounting to BD 27,975.
- (h) During 2015, the Group has invested BD 1,500,000 in acquiring units Government Islamic Leasing Sukuk-Issue 22 (GILS22.SUK) due in 2025. These units are listed. The Group has fair valued the Sukuks at 31<sup>st</sup> December 2019 is same.

Unquoted equity securities at fair value comprise investments in closed companies, companies managed by external investment managers or represent investments in projects. The management calculates fair values of these investments using various sources of information including investment managers' reports and audited financial statements, wherever available.

### Investment securities are denominated in the following currencies:

Currency	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Great Britain Pound	7,640,512	8,468,871
Saudi Riyal	535,603	708,713
Arab Emirates Dirham	1,885,777	1,508,053
Bahraini Dinars	1,567,500	1,567,500
	<u><b>11,629,392</b></u>	<u><b>12,253,137</b></u>

## 6) Investment in real estate

	<b>Investment properties for periodical consideration</b>	<b>Total</b>
<b>Cost/Revaluation</b>		
As at 31 December 2017	2,158,872	2,158,872
Additions	158,476	158,476
Unrealised fair value loss	(17,196)	(17,196)
Transferred from properties-under-development	453,818	453,818
Disposals	(190,044)	(190,044)
As at 31 December 2018	2,563,926	2,563,926
Additions	779	778
Unrealised fair value loss <sup>8</sup>	(289,850)	(289,850)
As at 31 December 2019	2,274,855	2,274,855
<b>Depreciation</b>		
As at 31 December 2017	26,210	26,210
Charge for the year	1,405	1,405
As at 31 December 2018	27,615	27,615
Charge for the year	2,916	2,916
As at 31 December 2019	30,531	30,531
<b>Net book value</b>		
At 31 December 2019	<b>2,244,324</b>	<b>2,244,324</b>
At 31 December 2018	<b>2,536,311</b>	<b>2,536,311</b>

During the year, the net rental income earned including accrued periodical consideration on investment in real estate amounted to BD 92,742 (2018: BD 64,643).

	<b>31<sup>st</sup> December 2019</b>	<b>31<sup>st</sup> December 2018</b>
Rental income	126,025	105,775
Maintenance and electricity expenses	(33,283)	(41,132)
	<b>92,742</b>	<b>64,643</b>

As at 31<sup>st</sup> December 2019, the Group obtained an open market valuation of its investment in real estate (Hamad Town Villa) from an independent real estate valuers, who has estimated the fair value of the properties at BD 213,443 resulting in an unrealised fair value gain amounting to BD 62,142. However, on a conservative basis, the management of the Group has taken a decision not to include the unrealised fair value gain in the consolidated statement of changes in Owners' equity.

## 7) Receivables and prepayments

	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Other receivables	312,603	2,093
Prepayments	4,544	8,760
Accrued profit on investment securities	180,760	130,494
Accrued profit on mudaraba investments	204	21,665
	<u><b>498,111</b></u>	<u><b>163,012</b></u>

## 8) Property and equipment

	<u>Leasehold improvements</u>	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computer Hardware And Software</u>	<u>Motor Vehicles</u>	<u>Total</u>
<i>Cost</i>						
At 31 <sup>st</sup> December 2017	168,013	47,190	46,817	168,968	59,380	490,368
Additions	-	-	-	190	-	190
At 31 <sup>st</sup> December 2018	168,013	47,190	46,817	169,158	59,380	490,558
Additions	-	-	410	-	-	410
Disposal	-	(10,463)	-	(8,243)	-	(18,706)
At 31 <sup>st</sup> December 2019	168,013	36,727	47,227	160,915	59,380	472,262
<i>Accumulated depreciation</i>						
At 31 December 2016	163,365	47,190	44,863	167,330	59,380	482,128
Charge for the year	3,117	-	974	1,171	-	5,262
At 31 <sup>st</sup> December 2018	166,482	47,190	45,837	168,501	59,380	487,390
Charge for the year	1,531	-	736	467	-	2,734
On disposal	-	(10,463)	-	(8,243)	-	(18,706)
At 31 <sup>st</sup> December 2019	168,013	36,727	46,573	160,725	59,380	471,418
<i>Net book value</i>						
At 31 <sup>st</sup> December 2019	<u>-</u>	<u>-</u>	<u>654</u>	<u>190</u>	<u>-</u>	<u>844</u>
At 31 <sup>st</sup> December 2018	<u>1,531</u>	<u>-</u>	<u>980</u>	<u>657</u>	<u>-</u>	<u>3,168</u>



## 9) Murabaha financing

The murabaha financing obtained for the purpose of investment in Global Greenridge 201 FINCO Limited (B&Q) and is repayable as a bullet payment after the maturity period. The murabaha financing will be matured on December 2020 and bears three months LIBOR plus 2.4% (2018: LIBOR plus 1.9%).

## 10) Other liabilities

	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Capital reduction payable to shareholders	22,138	1,071,053
Unclaimed dividend	9,257	9,256
Accrued and other payables	<u>62,698</u>	<u>205,337</u>
	<b><u>94,093</u></b>	<b><u>1,285,646</u></b>

## 11) Share capital

	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
<b>Authorised</b>		
400,000,000 (2018: 400,000,000) ordinary shares of 100 Fils each	<u>40,000,000</u>	<u>40,000,000</u>
Issued and fully paid-up		
115,566,795 (2018: 128,407,550) ordinary shares of 100 Fils each	<u>11,556,679</u>	<u>12,840,755</u>

The Company has only one class of equity shares and the holders of the shares have equal voting rights.

During 2019, the Group had decided in the extra general meeting held on 29 May 2019 to reduce the share capital from BD 12,840,755 to BD 11,556,680. However, as at 31<sup>st</sup> December 2019, the Company is in the process of amending the Memorandum and Articles of Association of the Company and completing the related legal formalities for the change in shareholding with the Notarisation Directorate – Ministry of Justice and Islamic Affairs.

The names and nationalities of the major shareholders or those who hold interest of 5% or more and the number of shares at 31<sup>st</sup> December 2019 are as follows:

	<b>Nationality</b>	<b>Number of shares</b>	<b>Percentage of Shareholding Interest</b>
Gimbal Holding Co. S.P.C.	Bahraini	53,354,451	46.168%
Inovest B.S.C.	Bahraini	12,164,926	10.526%
Ossis B.S.C.(c)	Bahraini	12,164,926	10.526%
H.E. Sheikh Sultan Bin Khalifa Al Nahyan	Emirati	6,690,710	5.789%
Al Dammam Development Co.Ltd.	Bahraini	<u>5,869,577</u>	<u>5.079%</u>
		<b><u>90,244,590</u></b>	<b><u>78.089%</u></b>

## 11) Share capital (continued)

The names and nationalities of the major shareholders or those who hold interest of %5 or more and the number of shares at 31 December 2018 are as follows:

	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of Shareholding Interest</u>
Gimbal Holding Co. S.P.C.	Bahraini	59,282,724	46.168%
Inovest B.S.C.	Bahraini	13,516,584	10.526%
Ossis B.S.C.(c)	Bahraini	13,516,584	10.526%
H.E. Sheikh Sultan Bin Khalifa Al Nahyan	Emirati	7,434,122	5.789%
Al Dammam Development Co.Ltd.	Bahraini	6,521,752	5.079%
		<u>100,271,766</u>	<u>78.088%</u>

Details of the Directors' interests in the Company's shares as at 31 December 2019 and 31 December 2018 are as follows:

<u>Name of the directors</u>	<u>2019 Number of shares</u>	<u>2018 Number of shares</u>
Saud Kanoo	1,216,493	1,351,659
Faisal Al Matrook	1,417,030	1,574,478
	<u>2,633,523</u>	<u>2,926,137</u>

## 12) Reserves

### (i) Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, Decree No 21 of 2001 an amount equivalent to 10% of the Group's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. During the year, an amount of BD 37,404 has been transferred to the statutory reserve (2018: BD 40,059).

### (ii) Properties fair value reserve

The revaluation reserve represents the net surplus arising on revaluation of investment in real estate (Note 6). This reserve is not available for distribution.

### (iii) Foreign currency translation reserve

Foreign currency translation reserve represents currency translation on investment securities. During the year, the exchange gain amounting to BD243,019 (2018: loss of BD506,100 has been transferred to the foreign currency translation reserve).

## 13) Dividends

The Board of Directors of the Company have not proposed a cash dividend for the year ended 31<sup>st</sup> December 2018 and 2019.

## 14) Profit from investment securities

	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Dividend from equity-type instruments	304,161	373,358
Profit from debt-type instruments	82,500	235,914
	<u><b>386,661</b></u>	<u><b>609,272</b></u>

## 15) Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the owners by the weighted average number of ordinary shares issued during the year.

	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Net profit attributable to the owners	<u><b>BD374,040</b></u>	<u><b>BD400,594</b></u>
Weighted average number of ordinary shares	<u><b>128,407,550</b></u>	<u><b>115,566,795</b></u>
Basic and diluted earnings per share	<u><b>Fils3.24</b></u>	<u><b>Fils3.12</b></u>

The earnings per share have been computed on the basis of net profit for the year divided by the number of shares outstanding for the year 2019 and for 2018. There is no difference between the basic and diluted earnings per share. The Company does not have any potentially dilute ordinary shares, hence the dilute earnings per share and basic earnings per share are identical.

## 16) Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders, directors and key management personnel and their close family members, and businesses under their control. The Group's transactions with related parties are on arm's length basis and authorised by the management.

*A summary of the transaction and amounts due from related parties is as follows:*

<u>Related party relationship</u>	<u>Transaction type</u>	<u>For the year ended Transaction amount</u>	
		<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Directors	Directors remuneration	<u>36,000</u>	<u>70,000</u>
Directors	Board member fees and allowances	<u>22,500</u>	<u>18,350</u>
Key management personnel*	Salaries and other short-term benefits	<u>71,000</u>	<u>87,113</u>
Directors	Premises leased	<u>16,154</u>	<u>31,539</u>

\* Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

## 17) Maturity profile

Maturity profile of assets and liabilities is as follows:

	At 31 <sup>st</sup> December 2019				
	Carrying Amount	Up to 6 months	6-12 months	1-5 years	5 years and above
<b>Assets</b>					
Cash and bank balances	537,823	537,823	-	-	-
Investment securities	11,629,392	-	535,603	11,093,789	-
Investment in real estate	2,244,324	-	-	2,244,324	-
Receivables and prepayments	498,111	372,244	83,716	42,151	-
Property and equipment	844	-	-	844	-
<b>Total assets</b>	<b>14,910,494</b>	<b>910,067</b>	<b>619,319</b>	<b>13,381,108</b>	<b>-</b>
<b>Liabilities</b>					
Murabaha financing	507,178	-	-	507,178	-
Other liabilities	94,093	65,586	-	-	29,317
<b>Total liabilities</b>	<b>601,271</b>	<b>65,586</b>	<b>-</b>	<b>507,178</b>	<b>29,317</b>

	At 31 <sup>st</sup> December 2018				
	Carrying Amount	Up to 6 months	6-12 months	1-5 years	5 years and above
<b>Assets</b>					
Cash and bank balances	2,421,949	2,421,949	-	-	-
Investment securities	12,253,137	-	-	10,685,637	1,567,500
Investment in real estate	2,536,311	-	-	2,536,311	-
Receivables and prepayments	162,012	81,648	31,519	48,845	-
Property and equipment	3,168	-	-	3,168	-
<b>Total assets</b>	<b>17,376,577</b>	<b>2,503,597</b>	<b>31,519</b>	<b>13,273,961</b>	<b>1,567,500</b>
<b>Liabilities</b>					
Murabaha financing	507,178	-	-	507,178	-
Other liabilities	1,286,396	1,229,026	-	-	57,370
<b>Total liabilities</b>	<b>1,793,574</b>	<b>1,229,026</b>	<b>-</b>	<b>507,178</b>	<b>57,370</b>

## 18) Financial assets and liabilities and risk management

**Financial assets and liabilities** carried on the statement of financial position include cash and bank balances, investment in securities, Ijarah Muntahia Bittamleek, receivables and prepayments, murabaha financing and other liabilities. The specific recognition methods adopted are disclosed in the individual policy statements associated with each item.

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio 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. No changes were made to the objectives, policies and processes during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt murabaha financing and other liabilities less cash and bank balances.

	<u>31<sup>st</sup> December 2019</u>	<u>31<sup>st</sup> December 2018</u>
Murabaha financing	507,178	507,178
Other liabilities	94,093	1,289,456
Less: cash and cash equivalents	<u>(537,823)</u>	<u>(2,421,949)</u>
Net surplus	<u>63,448</u>	<u>(625,315)</u>
Total capital	<u>14,309,223</u>	<u>15,583,003</u>
Total capital and net debt	<u>14,372,671</u>	<u>14,957,688</u>
<b>Net gearing ratio</b>	<u><b>0.44%</b></u>	<u><b>-</b></u>

The Group has net a surplus position at 31 December 2018, therefore gearing ratio has been not calculated.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with national and multinational banks with good credit ratings. The Group's credit risk arises mainly from the Mudaraba investments and receivables of profits on investment securities.

Mudaraba investments are placed with highly reputed and credit worthy financial institutions. In case of receivables of profit on investment securities, the Group has well defined policies for managing credit risk to ensure that risks are accurately assessed, properly approved and regularly monitored. Overall exposures are also evaluated to ensure a broad diversification of risk by setting concentration limits by geographical regions and industrial sectors.

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's foreign currency transactions are predominantly in GCC currencies, United States Dollars (USD) and British Pounds (GBP) of which Group's significant transactions are in United States Dollars (USD) and other GCC currencies. The Bahraini Dinars is effectively pegged to the United States Dollar and other GCC currencies and therefore management considers the currency rate risk as minimal. The Group limits their currency rate risk by entering in the forward contract mainly to mitigate the currency exposure in GBP investments. The Group limits their currency rate risk by proactively monitoring the key factors that affect the foreign currency fluctuations.

## 18) Financial assets and liabilities and risk management (continued)

### Currency rate risk (continued)

Foreign exchange sensitivity analysis is as follows:

<u>Currency</u>	<u>Change</u>	<u>Impact on profit</u>	<u>Change</u>	<u>Impact on profit</u>
Sterling Pound	+/-5%	+/- 363,848	+/-3%	+/- 218,309

**Profit rate risk** arises due to different timing of re-pricing of the Group's assets and liabilities. The Group's profit rate sensitive assets are mainly Mudaraba assets and liabilities are Murabaha financing. The Mudaraba investment bear fixed rate of profit and Murabaha financing bears three months LIBOR plus 2.4%. The hypothetical effect of 100 basis points profit rate increase or decrease on profits would be approximately BD5,072.

**Liquidity risk** is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. (Refer Note 19 for maturity profile).

The Group's management rigorously monitors liquidity requirements on a regular basis to help ensure that sufficient funds are available, including unutilised credit facilities with banks, to meet its liabilities as they fall due.

**Operational risk** is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial losses. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

### Fair value hierarchy

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of quoted securities/Sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/Sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

## 18) Financial assets and liabilities and risk management (continued)

### Fair value hierarchy (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31<sup>st</sup> December 2019 and 31<sup>st</sup> December 2018: Capital management

#### Investments designated at fair value through statement of income

	Level 1	Level 2	Level 3	Total
<b>For the year ended 31<sup>st</sup> December 2019</b>				
<i>Quoted Securities</i>				
<i>Sukuk</i>	-	-	1,567,500	1,567,500
<i>Unquoted Securities</i>				
Private equities	-	10,061,892	-	10,061,892
	<u>-</u>	<u>10,061,892</u>	<u>1,567,500</u>	<u>11,629,392</u>
<b>For the year ended 31<sup>st</sup> December 2018</b>				
<i>Quoted Securities</i>				
<i>Sukuk</i>	-	-	1,567,500	1,567,500
<i>Unquoted Securities</i>				
Private equities	-	9,177,584	1,508,053	10,685,637
	<u>-</u>	<u>9,177,584</u>	<u>3,075,553</u>	<u>12,253,137</u>

#### Transfers between Level 1, Level 2 and Level 3

During the year ended 31<sup>st</sup> December 2019, there were transfer of BD1,885,777 between from level 3 to level 2.

## 19) Commitments

#### Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 <sup>st</sup> December 2019	31 <sup>st</sup> December 2018
Not later than 1 year	13,358	13,358
Later than 1 year but not later than 5 years	-	13,358
	<u>13,358</u>	<u>26,716</u>

## 20) Subsequent events

There were no events subsequent to 31<sup>st</sup> December 2019 and occurring before the date of signing of the consolidated financial statements that would have a significant impact on these consolidated financial statements.