Reef Holding Co. B.S.C. (c)

Consolidated financial statements for the year ended 31 December 2021

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Commercial registration no.	58073 obtained on 10 September 2005	
Board of Directors	Mr Ali Al Baghli Mr Saud Kanoo Mr Faisal Al Matrook Mr Nasser Al Gharibah Mr Abdulhamid Mehriz Mr Yaser Al Jar Mr Waleed Al Khaja	- Chairman - Vice-Chairman
Chief Executive Officer	Mr Hasan Dhaif	
Executive Committee	Mr Faisal Al Matrook Mr Nasser Al Ghariba Mr Abdulhamid Mehriz	- Chairman
Nomination and Remuneration Committee	Mr Ali Al Baghli Mr Saud Kanoo Mr Faisal Al Matrook	- Chairman
Audit and Corporate Governance Committee	Mr Saud Kanoo Mr Yaser Al Jar Mr Waleed Al Khaja	- Chairman
Sharia'a Supervisory Advisor	Shaikh Dr. Osama Bahar	
Registered office	Kanoo Tower Flat 114, Building 155 Road 1703, Block 317 PO Box 18599 Diplomatic Area, Manama Kingdom of Bahrain	
Bankers	Ithmaar Bank Kuwait Finance House Al Salam Bank Bahrain Islamic Bank Al Baraka Islamic Bank Ahli United Bank	
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

Reef Holding Company B.S.C. (c)
Chairman's statement for the year ended 31 December 2021

Dear respected shareholders,

On behalf of the board of directors' of Reef Holding Company B.S.C. (c) ("the company"), I am pleased to present the annual report & audited financial statements of the Company and its subsidiary ("the group"), for the financial year ended 31 December 2021.

The year under review was yet another highly challenging year for us as we continue to strive to create value amidst an increasingly challenging economic environment. Globally, COVID-19 pandemic has had a significant impact on people and economies worldwide; the Group included. In this economic environment, the Group exercised financial prudence and tightened operating costs whilst staying the course in executing our action plan to deliver sustainable, profitable, and socially beneficial outcomes. As a result, the Group strengthened its financial performance in 2021 to broaden its revenue and bottom line compared to the previous year.

The world in 2021 was viewed in a different light with the outbreak of COVID-19, a pandemic that brought about permanent and far-reaching change to the globe like never before. Since the start of the year, we have been attentive and cautious of the impact of the pandemic in the markets we operate in, placing the health and safety of our employees and stakeholder as our top priority. We have also been taking steps over the years to enhance the resilience of our businesses and portfolios, vigilantly managing costs to improve efficiencies and improving our cash flow with a focus on ensuring that our Group has a strong financial footing. These steps have given us a strong foundation to report such results.

The Group posted a net profit of BD 400 thousand, which was 10% higher than the financial year ended 31 December 2020 performance of BD 363 thousand. This increase was attributed to recognition of gain on exit from two investments held by Reef. The Group's financial position at the end of 2021 continued to be strong with total assets standing at BD 14.9 million, a marginal decrease over 2021 position of BD 15.8 million. Shareholders' equity drooped by 6% to 14.3 million from 15.2 million in 2020 mainly due to payment of the third capital reduction. Detailed information on the operating and financial performance of our Group are presented in the subsequent section of this Annual Report.

The Group is committed to manage and nurture a sustainable and profitable business which contributes positively to our Shareholders in whilst upholding our mission of providing a balanced investment portfolio and risk.

For 2021, we are pleased to announce that the Board of Directors has recommended to the Shareholder the fourth capital reduction of 10% of the issued and paid-up capital. By completing the process of the fourth capital reduction, Shareholders will be paid back nearly BD 15 million over four years which is the equivalent to 62% of the issued and paid capital at 2018 (including bonus shares) or 75% of the initial issued and paid-up capital of BD 20 million.

On the same hand and due to the fact that the Company will release BD 1 million from its assets for the capital reduction and in order to maintain a solid structure of your Company, Board of Directors will not propose any cash dividends for this year.

It is worth mentioning that Shareholder approved in their EGM dated 15th July 2021 the transfer of share of the major Shareholder in Reef. With Shareholders approval, all shares owned by M/S Gimbal Holding Company S.P.C. was transferred to M/S Marsa Leisure Company (Holding) B.S.C. (c). As of year ended 31st December 2021, the Company is in the process of amending and updating the Ministry of Industry, Commerce and Tourism records.

As the tenure of the Board of Directors is near its end, we would like to give our sincere thanks and gratitude for the trust you have kindly given to us throughout the past four years, and we hope that our performance has met your satisfaction. The performance of the Group would have not reached this level without the patience and efforts of the Board Members in supporting the Group in spite of the difficult challenges it had faced previously. Therefore, I would like to thank all my colleagues in the respectful Board for their dedicated efforts and perseverance.

In accordance with the Article 188 of Bahrain Commercial Law and amendment degree No. 28/2020, the details of salaries, bonuses, share in profits, attendance allowances, representation allowances, expenses, etc. towards administrative, advisory or any other business paid to the Board of Directors during the year 2021 are disclosed as under:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors:													
1- Mr. Ali Al Baghli	4,667.571	2,200	-	-	6,867.571	-	-	-	-	-	-	-	-
2- Mr. Naser Al Gharibah	4,667.571	800	-	-	5,467.571	-	-	-	-	-	-	-	-
3- Mr. Abdul Hamid Mihrez	4,667.571	800	-	-	5,467.571	-	-	-	-	-	-	-	-
4 - Mr. Waleed Al Khaja	4,667.571	800	-	-	5,467.571	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
1- Mr. Saud Kanoo	4,667.571	1,000	-	-	5,667.571	-	-	-	-	-	-	-	-
2- Mr. Faisal Al Matrook	4,667.571	-	-	-	4,667.571	-	-	-	-	-	-	-	-
3- Mr. Yaser Al Jar	4,667.571	800	-	-	5,467.571	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1-	-	-	-	-	-	-	-	-	-	-	-	-	-
2-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**32,673**	**6,400**	**-**	**-**	**39,073**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Note (1): All amounts must be stated in Bahraini Dinars.
Note (2): Proposed Board remuneration for the year 2021 amounting to BD 36,000 is subject to the approval at the AGM.

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives	77,400	15,000	-	92,400

On behalf of the Board of Directors, I would like to express our deepest appreciation and gratitude to our capable and reliable Management team for their continuous dedication, commitment and support in executing our business objectives throughout the year and remaining resolute especially during the Covid 19 pandemic period where various austerity measures had to be introduced to preserve business continuity. My gratitude also goes to our 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 I would also like to thank with immense appreciation and gratitude all the official bodies in the beloved kingdom of Bahrain, in particular Ministry of Industry, Commerce and Tourism for the continuous support they are providing to create and maintain healthy and friendly business environments to do business in the kingdom of Bahrain.

Ali Ahmed Al Baghli
Chairman

Sheikh Dr. Osama Mohamed Bahar
Sharia'a Advisor

فضيلة الشيخ الدكتور / أسامة محمد بحر
المستشار الشرعي

Sharia'a Supervisory Advisory Report

Reef Holding Co. BSC (c)

For the period from 1st January 2021 to 31st December 2021

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 Sharia'a Supervisory Advisor the investment operations as well as the activities done by the Company. The Sharia'a Supervisory Advisor as well reviewed the audited financial statements for the period from 1st January 2021 to 31st December 2021.

The review was commissioned to issue an opinion on whether the Company had followed the principles and provisions of the Islamic Sharia'a and fatwas issued by the Sharia'a Advisor of the Company. Where the responsibility lies with the Company to ensure that its operations are in compliance with the issued Sharia'a legitimate, our responsibility is limited to express an independent opinion on the Company's operations done during the current year, and therefore decides the following:

1. The Company's contracts, transactions and operations for the year ended 31st December 2021 are in compliance with the provisions and principles of Islamic Sharia'a.
2. The calculation of the Company's profits and the losses charged to its investment operations are in compliance with the provisions and principles of the Islamic Sharia'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 Sharia'a requirements.

And Allaah is the Source of Successes.

Shaikh Dr. Osama Mohammed Bahar
Sharia'a Supervisory Advisory

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Independent auditor's report to the shareholders of Reef Holding Co. B.S.C. (c)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Reef Holding Company B.S.C. (c) ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the related consolidated statements of income, consolidated statement of changes in owners' equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and the consolidated results of the operations, changes in owners' equity, its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions "AAOIFI".

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Group's consolidated financial statements

Other information consists of the information included in the Board of Directors' report and the Shari'a Supervisory Board's report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles are the responsibility of the Group's Board of Directors.

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with AAOIFI and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Independent auditor's report to the shareholders of Reef Holding Co. B.S.C. (c)

Report on the audit of the consolidated financial statements (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent auditor's report to the shareholders of Reef Holding Co. B.S.C. (c) (continued)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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:

(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 or its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2021.

BDO

Manama, Kingdom of Bahrain
24 February 2022

سامسون كتوفتل
رقم القيد ٢٣٩
BDO
Public Accountants
Reg. No. 239
Samson Kattuvattil

See Auditor's Report dated 24|2|22
Signed by BDO, CR No. 10201-04
Partner: Samson Kattuvattil
Reg. No. 239
Signature:

Reef Holding Co. B.S.C. (c)
Consolidated statement of financial position as at 31 December 2021
(Expressed in Bahraini Dinars)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and bank balances	4	796,690	1,155,944
Investment securities	5	10,713,033	12,153,939
Investment in real estate	6	1,886,323	1,995,432
Receivables and prepayments	7	1,499,625	512,993
Right-of-use assets	8	13,001	-
Total assets		14,908,672	15,818,308
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Murabaha financing	9	507,178	507,178
Ijarah liability	10	13,454	-
Other liabilities	11	83,617	103,931
		604,249	611,109
Owners' Equity			
Share capital	12	10,401,011	11,556,679
Statutory reserve	13(i)	1,620,232	1,580,194
Properties fair value reserve	13(ii)	232,173	339,133
Foreign currency translation reserve	13(iii)	(481,983)	(414,749)
Investment fair value reserve		(74,275)	(72,979)
Retained earnings		2,607,265	2,218,921
		14,304,423	15,207,199
Total liabilities and Owners' equity		14,908,672	15,818,308

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

See Auditor's Report dated 24/2/22
Signed by BDO, CR No. 10201-04
Partner: Samson Kattuvattil
Reg. No. 239
Signature:

Reef Holding Co. B.S.C. (c)
Consolidated statement of income for the year ended 31 December 2021
(Expressed in Bahraini Dinars)

	Notes	31 December 2021	31 December 2020
Income			
Profit from Mudaraba investments		13,832	16,740
Net rental income from investment in real estate	6	98,802	94,706
Profit from investment securities	14	192,245	405,720
Net gain on sale of investment in real estate		160	26,699
Gain on sale of investment securities		253,346	56,402
Unrealised fair value gain/(loss) on fair valuation of investment securities	5	95,208	(13,500)
Net foreign exchange gain		1,518	7,383
Other income		528	-
		655,639	594,150
Expenses			
Staff costs		137,331	96,558
General and administrative expenses		98,392	111,204
Depreciation of property and equipment		-	844
Depreciation on investment in real estate	6	3,180	2,966
Finance costs		16,361	19,541
		255,264	231,113
Net profit for the year		400,375	363,037
Basic and diluted earnings per share	15	Fils3.85	Fils3.14

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

Reef Holding Co. B.S.C. (c)
Consolidated statement of changes in Owners' equity for the year ended 31 December 2021
(Expressed in Bahraini Dinars)

	Notes	Share capital	Statutory reserve	Properties fair value reserve	Foreign currency translation reserve	Investment fair value reserve	Retained earnings	Total
At 31 December 2019		11,556,679	1,543,890	434,346	(701,216)	(416,664)	1,892,188	14,309,223
Net movement in properties fair value reserve on the sale of investment in real estate	6	-	-	(95,213)	-	-	-	(95,213)
Net unrealised fair value gain on revaluation of investment in securities	5	-	-	-	-	343,685	-	343,685
Foreign currency translation gain on investment securities	5	-	-	-	286,467	-	-	286,467
Net profit for the year		-	-	-	-	-	363,037	363,037
Transferred to statutory reserve	13(i)	-	36,304	-	-	-	(36,304)	-
At 31 December 2020		11,556,679	1,580,194	339,133	(414,749)	(72,979)	2,218,921	15,207,199
Reduction of share capital	12	(1,155,668)	-	-	-	-	-	(1,155,668)
Net movement in properties fair value reserve on the fair valuation of investment in real estate	6	-	-	(106,960)	-	-	-	(106,960)
Net unrealised fair value gain on revaluation of investment in securities	5	-	-	-	-	22,598	-	22,598
Foreign currency translation loss on investment securities	5	-	-	-	(63,121)	-	-	(63,121)
On disposal of equity type instruments carried at fair value through equity		-	-	-	(4,113)	(23,894)	28,007	-
Net profit for the year		-	-	-	-	-	400,375	400,375
Transferred to statutory reserve	13(i)	-	40,038	-	-	-	(40,038)	-
At 31 December 2021		10,401,011	1,620,232	232,173	(481,983)	(74,275)	2,607,265	14,304,423

Reef Holding Co. B.S.C. (c)
Consolidated statement of cash flows for the year ended 31 December 2021
(Expressed in Bahraini Dinars)

	Notes	31 December 2021	31 December 2020
Operating activities			
Net profit for the year		400,375	363,037
Adjustments for:			
Depreciation on property and equipment		-	844
Depreciation on investment in real estate	6	3,180	2,966
Amortisation of right-of-use asset		12,998	-
Deferred Ijara cost		1,342	-
Gain on sale of investment in real estate		(160)	(26,699)
Gain on sale of investment securities		(65,540)	(56,402)
Unrealised fair value (gain)/loss on revaluation of investment in securities	5	(95,208)	13,500
Foreign exchange loss/(gain) on translation of investment in securities		63,121	(286,467)
Changes in operating assets and liabilities:			
Receivables and prepayments		(986,632)	(14,882)
Other liabilities		(20,316)	9,838
Net cash (used in)/provided by operating activities		(686,840)	5,735
Investing activities			
Net movement in Mudaraba investments above ninety days		600,000	(600,000)
Net movement in the foreign currency translation reserve		(63,121)	286,467
Addition in investment in real estate	6	(1,031)	(588)
Proceeds from sale of investment securities		1,561,133	148,507
Proceeds from sale of investment in real estate		160	178,000
Net cash provided by investing activities		2,097,141	12,386
Financing activities			
Amount paid to shareholders on reduction of share capital		(1,155,668)	-
Principal and deferred ijarah cost paid on Ijarah liability	10	(13,887)	-
Net cash used in financing activities		(1,169,555)	-
Net increase in cash and cash equivalents		240,746	18,121
Cash and cash equivalents, beginning of the year		555,944	537,823
Cash and cash equivalents, end of the year	4	796,690	555,944

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

These consolidated financial statements, set out on pages 10 to 39, were approved and authorised for issue by the Board of Directors on 24 February 2022.

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 2021	Effective ownership Interest 2020
Reef Investment UK B.S.C. (c)	Kingdom of Bahrain	Trust, funds and similar financial entities - Special Purpose Vehicle (SPV) Real estate activities with own or leased property Selling and buying of shares and securities for Company's account	99.9%	99.9%

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 2021.

Standards, amendments and interpretations effective and adopted in 2021

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2021 and has been adopted in the preparation of these consolidated financial statements:

Standard or interpretation	Title	Effective for annual periods beginning on or after
FAS 32	Ijarah	1 January 2021

FAS 32 - Ijarah

FAS 32 sets out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah (Ijarah asset, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Group as a lessor and lessee.

The Group has applied FAS 32 "Ijarah" from 1 January 2021. The impact of adoption of this standard is disclosed in (b) below.

(a) Change in accounting policy

Identifying an Ijarah

At inception of a contract, the Group assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration. For Ijarah contracts with multiple components, the Group accounts for each Ijarah component within a contract separately from non-Ijarah components of the contract (e.g. service fee, maintenance charges, toll manufacturing charges etc.).

Measurement

For a contract that contains an Ijarah component and one or more additional Ijarah or non-Ijarah components, the Group allocates the consideration in the contract to each Ijarah component on the basis of relative stand-alone price of the Ijarah component and the aggregate estimated stand-alone price of the non-Ijarah components, that may be charged by the lessor, or a similar supplier, to the lessee.

At the commencement date, a lessee shall recognise a right-of-use (usufruct) asset and a net ijarah liability.

2 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2021 (continued)

i) Right-of-use (usufruct) asset

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:

- The prime cost of the right-of-use asset;
- Initial direct costs incurred by the lessee; and
- Dismantling or decommissioning costs.

The prime cost is reduced by the expected terminal value of the underlying asset. If the prime cost of the right-of-use asset is not determinable based on the underlying cost method (particularly in the case of an operating Ijarah). the prime cost at commencement date may be estimated based on the fair value of the total consideration paid/ payable (i.e. total Ijarah rentals) against the right-of-use assets, under a similar transaction. As per the group's assessment, at the time of implementation the fair value of right-of-use assets are equal to the net Ijarah liability.

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modification or reassessment.

The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

The Group determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:

- Extension periods if it is reasonably certain that the Group will exercise that option; and/ or
- Termination options if it is reasonably certain that The Group will not exercise that option.

The Group carries out impairment assessment in line with the requirements of FAS 30 "Impairment, Credit Losses and Onerous Commitments" to determine whether the right-of-use asset is impaired and to account for any impairment losses. The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered in line with FAS 30 "Impairment, Credit Losses and Onerous Commitments".

ii) Net ijarah liability

The net ijarah liability comprises of the gross Ijarah liability, plus deferred Ijarah cost (shown as a contra-liability). The gross Ijarah liability are initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term. The rentals payable comprises of the following payments for the right to use the underlying asset during the Ijarah term:

- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payment of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

2 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2021 (continued)

Advance rentals paid are netted-off with the gross Ijarah liability.

Variable Ijarah rentals are Ijarah rentals that depend on an index or rate, such as payments linked to a consumer price index, financial markets, regulatory benchmark rates, or changes in market rental rates. Supplementary rentals are rentals contingent on certain items, such as additional rental charge after provision of additional services or incurring major repair or maintanence. As of 31 December 2021, the Group did not have any contracts with variable or supplementary rentals.

After the commencement date, the Group measures the net Ijarah liability by:

- Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost);
- Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals paid; and
- Re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or to reflect revised Ijarah rentals.

The deferred Ijarah cost is amortised to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method. After the commencement date, the Group recognises the following in the income statement:

- Amortisation of deferred Ijarah cost; and
- Variable Ijarah rentals (not already included in the measurement of Ijarah liability) as and when the triggering events/ conditions occur.

Ijarah contract modifications

After the commencement date, the Group accounts for Ijarah contract modifications as follows:

- Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- Change in future Ijarah rentals only: Recalculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of-use asset.

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset.

For modifications not meeting any of the conditions stated above, the Group considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Group recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and de-recognise the existing Ijarah transaction and balances.

Expenses relating to underlying asset

Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Group, are recognised by the Group in income statement in the period incurred. Major repair and maintenance, takaful, and other expenses incidental to ownership of underlying assets (if incurred by lessee as agent) are recorded as receivable from lessor.

2 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2021 (continued)

ii) Net ijarah liability (continued)

Recognition exemptions and simplified accounting for the lessee

The Group has elected not to apply the requirements of Ijarah recognition and measurement of recognizing right-of-use asset and net Ijarah liability for the following:

- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Short-term Ijarah exemption is applied on a whole class of underlying assets which have similar characteristics and operational utility. However, low-value Ijarah exemption is applied on an individual asset! Ijarah transaction, and not on group/ combination basis.

(b) Impact on adoption of FAS 32

The management of the Group has decided to apply FAS 32 using the modified retrospective approach (i.e. the impact of all the Ijarah contracts outstanding as at 31 December 2020 are reflected in the balances as of 1 January 2021) and therefore comparative information has not been restated. The impact of adoption of FAS 32 as at 1 January 2021 has resulted in an increase in right-of-use asset and an increase in net Ijarah liability by BD25,999. The lease contracts comprise of the premises of the building and car park.

Standards, amendments and interpretations issued and effective in 2021 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2021 or subsequent periods, but is not relevant to the Group's operations:

Standard or interpretation	Title	Effective for annual periods beginning on or after
FAS 31	Investment agency (Al-Wakala Bi Al-Istithmar)	1 January 2021
FAS 34	Financial reporting for sukuk-holders	1 January 2021
FAS 35	Risk reserves	1 January 2021
FAS 38	Wa'ad, khiyar and tahawwut	1 January 2021

Early adoption of amendments or standards in 2021

The Group did not early-adopt any new or amended standards in 2021. There would have been no change in the operational results of the Group for the period ended 30 June 2021 had the Group early adopted any of the above standards applicable to the Group.

2 Basis of preparation (continued)

(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 subsidiary 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 to obtain benefits from its activities. All intergroup balances, transactions and unrealised profits and losses are eliminated in full on consolidation.

(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.

2 Basis of preparation (continued)

(e) Critical accounting estimates and judgements (continued)

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 refer 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.

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.

2 Basis of preparation (continued)

(e) Critical accounting estimates and judgements (continued)

Impairment on investment securities

The Group determines that investment securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment and is assessed for each investment separately.

Where fair values are not readily available and the investments are carried at cost, the recoverable amount of such investment is estimated to test for impairment. In making a judgment of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. It is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of the investments within the next financial year due to significant changes in the assumptions underlying such assessments.

Impairment of short-term investments

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.

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.

3 Significant accounting policies (continued)

Investment in securities (continued)

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.

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.

3 Significant accounting policies (continued)

Investment in securities (continued)

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.

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.

3 Significant accounting policies (continued)

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	2-3 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 an asset or part of a group of similar assets) is derecognised when:

- the right to receive cash flows from the asset has 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 Mudaraba contracts

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

b) Profit on investment securities and other income

Profit on investment securities and other income is accounted for on an accrual basis.

c) Fees and commissions

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

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

	31 December 2021	31 December 2020
Current account balances with banks*	496,190	155,444
Mudaraba investments with maturity period of less than three months**	300,000	400,000
Cash on hand	500	500
Cash and cash equivalents	796,690	555,944
Mudaraba investments with maturity period of more than three months	-	600,000
	796,690	1,155,944

* 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

	31 December 2021	31 December 2020
Opening balance	12,153,939	11,629,392
Disposals	(1,495,591)	(92,105)
Foreign exchange (losses)/gains on translation of investment securities through equity	(63,121)	286,467
Net unrealised fair value gains through equity	22,598	343,685
Net unrealised fair value gains/(losses) through profit or loss	95,208	(13,500)
	10,713,033	12,153,939

	31 December 2021	31 December 2020
Investment in equity-type instruments - Unquoted		
Private equity	9,148,533	10,599,939
Investment in debt-type instruments- Quoted	1,564,500	1,554,000
	10,713,033	12,153,939

5 Investment securities (continued)

Investment - securities-wise analysis:

		31 December 2021	31 December 2020
Equity type instruments carried at fair value through consolidated statement of income			
Manazel Qurtoba 2 fund	(a)	-	443,498
Jenina Real Estate Development Co. Ltd	(b)	2,358,465	2,273,757
Equity type instruments carried at fair value through equity			
APL PH1 Limited	(c)	1,145,925	1,113,264
APL 2B Limited	(d)	2,958,792	3,023,981
Global Greenridge Bracknell Limited (3M)	(e)	1,551,114	1,562,757
Global Greenridge Finco Limited (Manchester) (Stockport & Bury)	(f)	1,134,237	1,143,731
Global Greenridge 201 FINCO Limited (B&Q)	(g)	-	1,038,951
		9,148,533	10,599,939
Debt-type instruments carried at fair value through consolidated statement of income			
Government or CBB sukuk	(h)	1,564,500	1,554,000
		10,713,033	12,153,939

(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 ended 31 December 2021, the Company has disposed-off the investment in Manazel Quroba 2 fund.

(b) During the year 2014, the Group has invested BD1,508,053 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 to BD84,708.

(c) During the year 2015, the Group has invested GBP3,714,286 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 gain amounting to BD41,576 and unrealised foreign exchange loss amounting to BD8,915.

(d) During the year 2016, the Group has invested GBP6,095,237 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 BD40,974 and unrealised foreign exchange loss amounting to BD24,215.

(e) During the year 2016, the Group has invested GBP3,000,000 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 gain amounting to BD871 and unrealised foreign exchange loss amounting to BD12,514.

5 Investment securities (continued)

(f) During the year 2017, 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 BD384,490 (GBP784,091) in the year 2019. 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 loss amounting to BD336 and unrealised foreign exchange loss amounting to BD9,158.

(g) During the year 2018, the Group has invested GBP2,000,000 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 BD21,461 and unrealized foreign exchange loss amounting to BD8,319. During the year ended 31 December 2021, the Company has disposed-off the investment in Global Greenridge 201 FINCO Limited (B&Q).

(h) During 2015, the Group has invested BD1,500,000 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 during the year and recorded unrealized fair value gain amounting to BD10,500.

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	31 December 2021	31 December 2020
Great Britain Pound	6,790,068	7,882,684
Saudi Riyal	-	443,498
Arab Emirates Dirham	2,358,465	2,273,757
Bahraini Dinars	1,564,500	1,554,000
	10,713,033	12,153,939

6 Investment in real estate

	Investment properties for periodical consideration	Total
Cost/Revaluation		
As at 31 December 2019	2,274,855	2,274,855
Additions	588	588
Unrealised fair value loss	(95,213)	(95,213)
Disposals	(151,301)	(151,301)
As at 31 December 2020	2,028,929	2,028,929
Additions	1,031	1,031
Unrealised fair value loss	(106,960)	(106,960)
Disposals	(2,779)	(2,779)
As at 31 December 2021	1,920,221	1,920,221
Depreciation		
As at 31 December 2019	30,531	30,531
Charge for the year	2,966	2,966
As at 31 December 2020	33,497	33,497
Charge for the year	3,180	3,180
On disposal	(2,779)	(2,779)
As at 31 December 2021	33,898	33,898
Net book value		
At 31 December 2021	1,886,323	1,886,323
At 31 December 2020	1,995,432	1,995,432

During the year, the net rental income earned including accrued periodical consideration on investment in real estate amounted to BD98,802 (2020: BD94,706).

	31 December 2021	31 December 2020
Rental income	143,110	128,107
Maintenance and electricity expenses	(44,308)	(33,401)
	98,802	94,706

7 Receivables and prepayments

	31 December 2021	31 December 2020
Other receivables	1,419,473	274,543
Prepayments	5,399	7,233
Accrued profit on investment securities	74,700	221,420
Accrued profit on mudaraba investments	53	9,797
	1,499,625	512,993

8 Right-of-use asset

	31 December 2021	31 December 2020
Recognition of right-of-use assets on initial application of FAS 32	25,999	-
Amortisation charge for the period	(12,998)	-
Closing balance	13,001	-

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 2021 and bears three months LIBOR plus 2.4% (2020: LIBOR plus 2.4%). The Group has settled the loan as a bullet payment on 4 January 2022.

	31 December 2021	31 December 2020
Murabaha financing	507,178	507,178

10 Ijarah Liability

	31 December 2021	31 December 2020
Recognition of right-of-use assets on initial application of FAS 32	25,999	-
Deferred ijarah cost	1,342	
Repayments	(13,887)	-
Closing balance	13,454	-
Less: current portion of ijarah liability	(13,454)	-
Non-current portion ijarah liability	-	-

10 Ijarah Liability (continued)

	31 December 2021	31 December 2020
Maturity analysis – Net Ijarah liability		
Less than one year	13,454	-
More than one year	-	-
Closing balance	13,454	-
Maturity analysis – Gross Ijarah liability		
Less than one year	13,887	-
Closing balance	13,887	-

11 Other liabilities

	31 December 2021	31 December 2020
Capital reduction payable to shareholders	39,319	22,138
Unclaimed dividend	2,705	9,257
Accrued and other payables	41,593	72,536
	83,617	103,931

12 Share capital

	31 December 2021	31 December 2020
Authorised		
400,000,000 (2020: 400,000,000) ordinary shares of 100 Fils each	40,000,000	40,000,000
Issued and fully paid-up		
104,010,115 (2020: 115,566,795) ordinary shares of 100 Fils each	10,401,011	11,556,679

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

During the year, the Group has decided in the extra general meeting held on 26 April 2021 to reduce the share capital from BD11,556,679 to BD10,401,011.

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 2021 are as follows:

	Nationality	Number of shares	Percentage of shareholding interest
Marsa Leisure Company (Holding) B.S.C. (c)	Bahraini	48,019,006	46.168%
Inovest B.S.C.	Bahraini	10,948,433	10.526%
Ossis B.S.C.(c)	Bahraini	10,948,433	10.526%
H.E. Sheikh Sultan Bin Khalifa Al Nahyan	Emirati	6,021,639	5.789%
Al Dammam Development Co.Ltd.	Saudi	5,282,619	5.079%
		81,220,130	78.089%

12 Share capital (continued)

During the year, Shareholders have approved in the extra general meeting held on 15 July 2021 to transfer shares held by Gimbal Holding Co. S.P.C. to Marsa Leisure Company (Holding) B.S.C. (c). As at 31 December 2021, the Group is in the process of amending and updating the Ministry of Industry, Commerce and Tourism records.

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 2020 are as follows:

	Nationality	Number of shares	Percentage of shareholding interest
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.	Saudi	5,869,577	5.079%
		90,244,590	78.089%

Details of the Directors' interests in the Company's shares as at 31 December 2021 and 31 December 2020 are as follows:

Name of the directors	2021 Number of shares	2020 Number of shares
Saud Kanoo	1,094,844	1,216,493
Faisal Al Matrook	1,275,327	1,417,030
	2,370,171	2,633,523

13 Reserves

(i) Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, 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 BD40,038 has been transferred to the statutory reserve (2020: BD36,304).

(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 loss amounting to BD63,121 (2020: BD286,467) has been transferred to the foreign currency translation reserve.

14 Profit from investment securities

	31 December 2021	31 December 2020
Dividend from equity-type instruments	109,745	323,220
Profit from debt-type instruments	82,500	82,500
	192,245	405,720

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.

	31 December 2021	31 December 2020
Net profit attributable to the owners	BD400,375	BD363,037
Weighted average number of ordinary shares	104,010,110	115,566,795
Basic and diluted earnings per share	Fils3.85	Fils3.14

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 2021 and 2020. 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:

		For the year ended Transaction amount	
Related party relationship	Transaction type	31 December 2021	31 December 2020
Directors	Directors remuneration *	32,673	33,663
Directors	Board member fees and allowances	6,400	8,300
Key management personnel **	Salaries and other short-term benefits	92,400	59,500
Directors	Premises leased	13,887	16,404

* The Board of Directors have proposed a directors' remuneration amounting to BD36,000 (2021: BD32,673 for the year ended 31 December 2020) for the year ended 31 December 2021. This is subject to the approval of the shareholders in the Annual General Meeting. These consolidated financial statements do not reflect the proposed directors' remuneration.

** 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 December 2021
	Carrying amount	Up to 6 months	6-12 months	1-5 Years	5 years and above
Assets					
Cash and bank balances	796,690	796,690	-	-	-
Investment securities	10,713,033	-	-	10,713,033	-
Investment in real estate	1,886,323	-	-	1,886,323	-
Receivables and prepayments	1,499,625	1,093,585	406,040	-	-
Right of use asset	13,001	-	13,001	-	-
Total assets	14,908,672	1,890,275	419,041	12,599,356	-
Liabilities					
Murabaha financing	507,178	507,178	-	-	-
Ijarah liability	13,454	-	13,454	-	-
Other liabilities	83,617	41,593	42,024	-	-
Total liabilities	604,249	548,771	55,478	-	-

					At 31 December 2020
	Carrying amount	Up to 6 months	6-12 months	1-5 Years	5 years and above
Assets					
Cash and bank balances	1,155,944	1,155,944	-	-	-
Investment securities	12,153,939	-	443,498	11,710,441	-
Investment in real estate	1,995,432	-	-	1,995,432	-
Receivables and prepayments	512,993	231,217	281,776	-	-
Total assets	15,818,308	1,387,161	725,274	13,705,873	-
Liabilities					
Murabaha financing	507,178	-	507,178	-	-
Other liabilities	103,931	72,536	-	-	31,395
Total liabilities	611,109	72,536	507,178	-	31,395

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, 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 2021 and 2020.

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.

	31 December 2021	31 December 2020
Murabaha financing	507,178	507,178
Other liabilities	83,617	103,931
Ijarah liability	13,454	-
Less: cash and cash equivalents	(796,690)	(1,155,944)
Net surplus	(192,441)	(544,835)
Total capital	14,304,423	15,207,199
Total capital and net surplus	14,111,982	14,662,364
Net gearing ratio	-	-

The Group has a net surplus position at 31 December 2021 and 31 December 2020, 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:

Currency	Change	Impact on profit	Change	Impact on profit
Sterling Pound	+/-5%	+/- 400,678	+/-3%	+/- 240,407

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 2.1%. 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 17 for maturity profile).

The Group's management rigorously monitors liquidity requirements on a regular basis to help ensure that enough 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 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 December 2021 and 31 December 2020:

Investments designated at fair value through statement of income	**Level 1**	**Level 2**	**Level 3**	**Total**
For the year ended 31 December 2021				
Quoted Securities				
Sukuk	-	-	1,564,500	1,564,500
Unquoted Securities				
Private equities	-	9,148,533	-	9,148,533
	-	9,148,533	1,564,500	10,713,033
For the year ended 31 December 2020				
Quoted Securities Sukuk	-	-	1,554,000	1,554,000
Unquoted Securities Private equities	-	10,599,939	-	10,599,939
	-	10,599,939	1,554,000	12,153,939

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2021, there were no transfer from level 3 to level 2.

19 Contingent liabilities and commitments

As at 31 December 2021, the Company do not have any contingent liabilities and commitments arising in the ordinary course of business (2020: BDNil).

20 Subsequent events

There were no events subsequent to 31 December 2021 and occurring before the date of signing of the consolidated financial statements that would have a significant impact on these consolidated financial statements.