

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

**Consolidated financial statements
for the year ended 31 December 2022**

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Consolidated financial statements for the year ended 31 December 2022

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Reef Holding Co. B.S.C. (c)
Administration and contact details as at 31 December 2022

Commercial registration no.	58073 obtained on 10 September 2005	
Board of Directors	Mr Ali Al Baghli* Mr Naser Al Gharibah Mr Saud Kanoo Mr Faisal Al Matrook Mr Yaser Al Jar Mr Waleed Al Khaja Mr Abdulhamid Mehriz	- Chairman - Vice-Chairman
Chief Executive Officer	Mr Hasan Dhaif	
Executive Committee	Mr Saud Kanoo Mr Faisal Al Matrook Mr Naser Al Ghariba Mr Abdulhamid Mehriz	- Chairman
Nomination and Remuneration Committee	Mr Naser Al Ghariba Mr Saud Kanoo Mr Ali Al Baghli*	- Chairman
Audit and Corporate Governance Committee	Mr Waleed Al Khaja Mr Yaser Al Jar Mr Abdulhamid Mehriz	- 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 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

* Mr Ali Al Baghli (Ex-Chairman) has passed away in the month of February 2023. The Board has appointed Mr Naser Al Gharibah, new Chairman of the Board.

DEAR RESPECTED SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF REEF HOLDING CO. B.S.C. (C) ("THE COMPANY"), IT IS MY PLEASURE TO PRESENT TO YOU THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022. I AM ALSO PLEASSED TO REPORT THAT REEF HOLDING CO. B.S.C. (C) ACHIEVED POSITIVE FINANCIAL RESULTS EARNING A NET INCOME OF BHD 139 THOUSAND.

It is with complete shock and sadness, we received the news of the sudden death of the Chairman of Reef Holding Co. Mr. Ali Ahmed Al Baghali which occurred in February 2023, in the State of Kuwait. Indeed, the late Mr. Ali Al Baghali played a big role in the establishment of Reef, he was very instrumental and contributed immensely during the past 16 years of the Company.

On behalf of Reef Holding Co. Shareholders, Board Members, Staff and on my own behalf, allow me to offer most profound condolences to the family for the passing on of Mr. Ali Al Baghali.

Financial Performance

The year 2022 has been a challenging year for the global economy with persistent inflation pressures and consequent interest rates hikes by Central Banks around the world to combat inflation. Despite this, the Company has managed its investments well and with business confidence improving, the performance has been remarkable, and the outlook is positive.

Operating Results

For the full year 2022, the Company reported total income of BHD 436 thousand representing a decrease of 34% over last year. The main highlight of this reduction was recording exceptional gain of BD 253 thousand in 2021 from partial exit from investments in Riyadh.

Total assets on the other hand, reported a decline of BHD 2.2 million mainly due to the payment of 10% capital reduction amount of BD 1 million and the settlement of an outstanding Murabaha financing of BHD 507 thousand.

Financial Position

Reef Holding's Balance Sheet continues to be healthy and strong with a total investment portfolio of BHD 12 million and Total Assets standing at BHD 12.725 million. Shareholders Equity is BHD 12.634 million.

Proposed Appropriations

Based on the financial results, the Board of Directors have recommended for the approval of the Shareholders at the upcoming Annual General Meeting:



1. Transfer of 10% of the net profit to the legal reserve of BD 13,878
2. Reducing the issued and paid-up capital to 5,500,000 Bahraini Dinars (five million five hundred thousand Bahraini Dinars) and transferring the amount of BHD 3,860,910 (Bahraini Dinars three million eight hundred and sixty thousand nine hundred and ten) in the company's books from the capital account to the shareholders' current account.
3. Distribution of BHD 860,910 (Bahraini Dinars eight hundred sixty thousand and nine hundred ten) to the shareholders.
4. Allocating an amount of 12,490 Bahraini Dinars as a reward for the members of the Board of Directors.
5. Allocating an amount of 5,000 Bahraini Dinars for charity,

Board of Directors and Management Remunerations

The table below shows the remuneration of the members of the Board of Directors and the Executive Management for the fiscal year ended 31st December 2022.

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD (Z)	Total allowance for attending Board and committee	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors:													
1- Mr. Ali Al Baghli	-	3,000	-	-	8,143	-	-	-	-	-	-	-	-
2- Mr. Naser Al Gharibah	2,081.700	1,200	-	-	6,343	-	-	-	-	-	-	-	-
3- Mr. Abdul Hamid Mihrez	2,081.700	1,200	-	-	6,343	-	-	-	-	-	-	-	-
4 - Mr. Waleed Al Khaja	2,081.700	1,200	-	-	6,343	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
1- Mr. Saud Kanoo	2,081.700	1,500	-	-	6,643	-	-	-	-	-	-	-	-
2- Mr. Faisal Al Matrook	2,081.700	1,350	-	-	6,493	-	-	-	-	-	-	-	-
3- Mr. Yaser Al Jar	2,081.700	1,200	-	-	6,343	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1-	-	-	-	-	-	-	-	-	-	-	-	-	-
2-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	12,490	10,650	-	-	46,650	-	-	-	-	-	-	-	-
Note (1): All amounts must be stated in Bahraini Dinars.													
Note (2): Proposed Board remuneration for the year 2022 amounting to BD 12,490 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

Acknowledgements

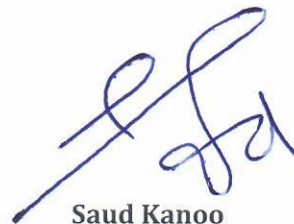
On behalf of my colleagues on the Board, may I extend my sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Prime Minister & Deputy Supreme Commander for their continuing support.

To our Shareholders, I thank you for the continued confidence placed in the Board. I also extend my gratitude to the staff and management of Reef Holding Co. for their loyalty and support.

Thank you all and looking forward to another positive year in 2023 exploring new opportunities to pursue sustainability.



Naser Al Gharibah
Chairman
Reef Holding Co. BSC (c)



Saud Kanoo
Vice Chairman



Sharia'a Supervisory Advisory Report

Reef Holding Co. BSC (c)

For the period from 1st January 2022 to 31st December 2022

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 2022 to 31st December 2022.

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 2022 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

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 2022, 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 2022, 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".

In our opinion, the Company has also complied with the Islamic Shari'ah Principles and Rules as determined by the Shari'ah Supervisory Board of the Company during the year ended 31 December 2022.

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.

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.

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 and Commerce 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 2022.



Manama, Kingdom of Bahrain
29 March 2023



See Auditor's Report dated 29/3/23
 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 2022
 (Expressed in Bahraini Dinars)

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and bank balances	4	439,034	796,690
Investment securities	5	10,242,048	10,713,033
Investment in real estate	6	1,512,971	1,886,323
Receivables and prepayments	7	531,228	1,499,625
Right-of-use assets	8	-	13,001
Total assets		12,725,281	14,908,672
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Murabaha financing	9	-	507,178
Ijarah liability	10	-	13,454
Other liabilities	11	91,250	83,617
		<u>91,250</u>	<u>604,249</u>
Owners' Equity			
Share capital	12	9,360,910	10,401,011
Statutory reserve	13(i)	1,634,110	1,620,232
Properties fair value reserve	13(ii)	95,295	232,173
Foreign currency translation reserve	13(iii)	(1,183,843)	(481,983)
Investment fair value reserve		(4,611)	(74,275)
Retained earnings		<u>2,732,170</u>	<u>2,607,265</u>
		<u>12,634,031</u>	<u>14,304,423</u>
Total liabilities and Owners' equity		12,725,281	14,908,672


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



Naser Al Gharibah
 Chairman



Saud A. Aziz Kanoo
 Vice Chairman

See Auditor's Report dated 29/3/23
 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 2022
 (Expressed in Bahraini Dinars)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Income			
Profit from Mudaraba investments		2,319	13,832
Net rental income from investment in real estate	6	73,534	98,802
Profit from investment securities	14	128,826	192,245
Net gain on sale of investment in real estate		44,644	160
Gain on sale of investment securities		-	253,346
Unrealised fair value gain on fair valuation of investment securities	5	161,211	95,208
Net foreign exchange gain		-	1,518
Other income		<u>25,655</u>	<u>528</u>
		<u>436,189</u>	<u>655,639</u>
Expenses			
Staff costs		123,565	137,331
General and administrative expenses		103,054	98,392
Depreciation on investment in real estate	6	3,541	3,180
Finance costs		-	16,361
Net foreign exchange losses		<u>67,246</u>	<u>-</u>
		<u>297,406</u>	<u>255,264</u>
Net profit for the year		<u>138,783</u>	<u>400,375</u>
Basic and diluted earnings per share	15	<u>Fils1.5</u>	<u>Fils3.85</u>

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


 Naser Al Gharibah
 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 2022
(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 2020		11,556,679	1,580,194	339,133	(414,749)	(72,979)	2,218,921	15,207,199
Reduction of share capital		(1,155,668)	-	-	-	-	-	(1,155,668)
Net movement in properties fair value reserve on the sale 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 gain 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
Reduction of share capital	12	(1,040,101)	-	-	-	-	-	(1,040,101)
Net movement in properties fair value reserve on the fair valuation of investment in real estate	6	-	-	(70,200)	-	-	-	(70,200)
Net movement in properties fair value reserve on disposal of investment in real estate		-	-	(66,678)	-	-	-	(66,678)
Net unrealised fair value gain on revaluation of investment in securities	5	-	-	-	-	69,664	-	69,664
Foreign currency translation loss on investment securities	5	-	-	-	(701,860)	-	-	(701,860)
Net profit for the year		-	-	-	-	-	138,783	138,783
Transferred to statutory reserve	13(i)	-	13,878	-	-	-	(13,878)	-
At 31 December 2022		9,360,910	1,634,110	95,295	(1,183,843)	(4,611)	2,732,170	12,634,031

Reef Holding Co. B.S.C. (c)
Consolidated statement of cash flows for the year ended 31 December 2022
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Operating activities			
Net profit for the year		138,783	400,375
Adjustments for:			
Depreciation on investment in real estate	6	3,541	3,180
Amortisation of right-of-use asset	8	13,001	12,998
Deferred Ijara cost		435	1,342
Gain on sale of investment in real estate		(44,644)	(160)
Gain on sale of investment securities		-	(65,540)
Unrealised fair value gain on revaluation of investment in securities		(161,211)	(95,208)
Foreign exchange loss on translation of investment in securities	5	701,860	63,121
Changes in operating assets and liabilities:			
Receivables and prepayments		968,397	(986,632)
Other liabilities		<u>7,633</u>	<u>(20,316)</u>
Net cash provided by/(used in) operating activities		<u>1,627,795</u>	<u>(686,840)</u>
Investing activities			
Net movement in Mudaraba investments above ninety days		-	600,000
Net movement in the foreign currency translation reserve		(701,860)	(63,121)
Addition in investment in real estate	6	(476)	(1,031)
Proceeds from sale of investment securities		-	1,561,133
Proceeds from sale of investment in real estate		<u>278,053</u>	<u>160</u>
Net cash (used in)/provided by investing activities		<u>(424,283)</u>	<u>2,097,141</u>
Financing activities			
Amount paid to shareholders on reduction of share capital		(1,040,101)	(1,155,668)
Principal and deferred Ijarah cost paid on Ijarah liability	10	(13,889)	(13,887)
Repayment of Murabaha financing		<u>(507,178)</u>	<u>-</u>
Net cash used in financing activities		<u>(1,561,168)</u>	<u>(1,169,555)</u>
Net (decrease)/increase in cash and cash equivalents		(357,656)	240,746
Cash and cash equivalents, beginning of the year		<u>796,690</u>	<u>555,944</u>
Cash and cash equivalents, end of the year	4	<u>439,034</u>	<u>796,690</u>

1 Organisation and principal activities

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

The principal activities of the Company is a holding company.

These consolidated financial statements, set out on pages 10 to 36, were approved and authorised for issue by the Board of Directors on 29 March 2023.

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

The structure of the Group is as follows:

Subsidiaries

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest 2022</u>	<u>Effective ownership interest 2021</u>
Reef Investment UK B.S.C. (c)	Kingdom of Bahrain	- Real estate activities with own or leased property - Trusts, Funds and Similar Financial Entities - Special Purpose Vehicle (SPV) - Selling and buying of securities	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 2022.

Standards, amendments and interpretations issued and effective in 2022 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 2022 or subsequent periods, but is not relevant to the Group's operations:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
FAS 37	Financial reporting by Waqf institutions	1 January 2022
FAS 38	Wa'ad, khiyar and tahawwut	1 January 2022

Standards, amendments and interpretations issued but not yet effective in 2022

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2022. They have not been adopted in preparing the financial statements for the year ended 31 December 2022 and will or may have an effect on the entity's future financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
FAS 1 (Revised 2021)	General presentation and Disclosures in the Financial Statements	1 January 2023
FAS 39	Financial reporting for Zakah	1 January 2023
FAS 40	Financial reporting for Islamic Finance Windows	1 January 2024
FAS 42	Presentation and disclosures in the financial statements of Takaful institutions	1 January 2025
FAS 43	Accounting for Takaful: Recognition and measurement	1 January 2025

Early adoption of amendments or standards in 2022

The Group did not early-adopt any new or amended standards in 2022. There would have been no change in the operational results of the Group for the year ended 31 December 2022 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.

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4 Cash and bank balances

	31 December 2022	31 December 2021
Current account balances with banks*	438,534	496,190
Mudaraba investments with maturity period of less than three months**	-	300,000
Cash on hand	<u>500</u>	<u>500</u>
Cash and cash equivalents	<u>439,034</u>	<u>796,690</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

	31 December 2022	31 December 2021
Opening balance	10,713,033	12,153,939
Disposals	-	(1,495,591)
Foreign exchange losses on translation of investment securities through equity	(701,860)	(63,121)
Net unrealised fair value gains through equity	69,664	22,598
Net unrealised fair value gains through profit or loss	<u>161,211</u>	<u>95,208</u>
	<u>10,242,048</u>	<u>10,713,033</u>
	31 December 2022	31 December 2021
Investment in equity-type instruments - Unquoted <i>Private equity</i>	8,677,548	9,148,533
Investment in debt-type instruments- Quoted	<u>1,564,500</u>	<u>1,564,500</u>
	<u>10,242,048</u>	<u>10,713,033</u>

5 Investment securities (continued)

Investment - securities-wise analysis:

		31 December <u>2022</u>	31 December <u>2021</u>
Equity type instruments carried at fair value through consolidated statement of income			
Jenina Real Estate Development Co. Ltd	(a)	2,519,676	2,358,465
Equity type instruments carried at fair value through equity			
APL PH1 Limited	(b)	1,128,333	1,145,925
APL 2B Limited	(c)	2,644,210	2,958,792
Global Greenridge Bracknell Limited (3M)	(d)	1,365,002	1,551,114
Global Greenridge Finco Limited (Manchester) (Stockport & Bury)	(e)	<u>1,020,327</u>	<u>1,134,237</u>
		8,677,548	9,148,533
Debt-type instruments carried at fair value through consolidated statement of income			
Government or CBB sukuk	(f)	<u>1,564,500</u>	<u>1,564,500</u>
		<u>10,242,048</u>	<u>10,713,033</u>

- (a) 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 BD161,211.
- (b) 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 BD100,857 and unrealised foreign exchange loss amounting to BD118,449.
- (c) 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 BD8,743 and unrealised foreign exchange loss amounting to BD305,838.
- (d) 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 loss amounting to BD25,780 and unrealised foreign exchange loss amounting to BD160,332.

5 Investment securities (continued)

- (e) 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 gain amounting to BD3,331 and unrealised foreign exchange loss amounting to BD117,240.
- (f) 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. As at 31 December 2022, the Group has fair valued the investment and concluded that the carrying value is not significantly different with the fair value.

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 <u>2022</u>	31 December <u>2021</u>
Great Britain Pound	6,157,872	6,790,068
Arab Emirates Dirham	2,519,676	2,358,465
Bahraini Dinars	<u>1,564,500</u>	<u>1,564,500</u>
	<u>10,242,048</u>	<u>10,713,033</u>

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6 Investment in real estate

	Investment properties for periodical consideration	Total
Cost/Revaluation		
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	<u>(2,779)</u>	<u>(2,779)</u>
As at 31 December 2021	1,920,221	1,920,221
Additions	476	476
Unrealised fair value loss	(70,200)	(70,200)
Disposals	<u>(300,087)</u>	<u>(300,087)</u>
As at 31 December 2022	<u>1,550,410</u>	<u>1,550,410</u>
Depreciation		
As at 31 December 2020	33,497	33,497
Charge for the year	3,180	3,180
On disposal	<u>(2,779)</u>	<u>(2,779)</u>
As at 31 December 2021	33,898	33,898
Charge for the year	<u>3,541</u>	<u>3,541</u>
As at 31 December 2022	<u>37,439</u>	<u>37,439</u>
Net book value		
At 31 December 2022	<u>1,512,971</u>	<u>1,512,971</u>
At 31 December 2021	<u>1,886,323</u>	<u>1,886,323</u>

During the year, the net rental income earned including accrued periodical consideration on investment in real estate amounted to BD73,534 (2021: BD98,802).

	31 December 2022	31 December 2021
Rental income	106,738	143,110
Maintenance and electricity expenses	<u>(33,204)</u>	<u>(44,308)</u>
	<u>73,534</u>	<u>98,802</u>

Reef Holding Co. B.S.C. (c)
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7 Receivables and prepayments

	31 December <u>2022</u>	31 December <u>2021</u>
Other receivables	491,030	1,419,473
Prepayments	3,073	5,399
Accrued profit on investment securities	37,125	74,700
Accrued profit on mudaraba investments	<u>-</u>	<u>53</u>
	<u>531,228</u>	<u>1,499,625</u>

8 Right-of-use asset

	31 December <u>2022</u>	31 December <u>2021</u>
Recognition of right-of-use assets on initial application of FAS 32	13,001	25,999
Amortisation charge for the year	<u>(13,001)</u>	<u>(12,998)</u>
Closing balance	<u>-</u>	<u>13,001</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 2021 and bears three months LIBOR plus 2.4%. The Group has settled the loan as a bullet payment on 4 January 2022.

	31 December <u>2022</u>	31 December <u>2021</u>
Murabaha financing	<u>-</u>	<u>507,178</u>

10 Ijarah Liability

	31 December <u>2022</u>	31 December <u>2021</u>
Opening balance	13,454	-
Recognition of right-of-use assets on initial application of FAS 32	-	25,999
Deferred ijarah cost	435	1,342
Repayments	<u>(13,889)</u>	<u>(13,887)</u>
Closing balance	-	13,454
Less: current portion of ijarah liability	<u>-</u>	<u>(13,454)</u>
Non-current portion ijarah liability	<u>-</u>	<u>-</u>

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10 Ijarah Liability (continued)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Maturity analysis – Net Ijarah liability		
Less than one year	-	13,454
More than one year	<u>-</u>	<u>-</u>
Closing balance	<u>-</u>	<u>13,454</u>
Maturity analysis – Gross Ijarah liability		
Less than one year	<u>-</u>	<u>-</u>
Closing balance	<u>-</u>	<u>-</u>

11 Other liabilities

	<u>31 December 2022</u>	<u>31 December 2021</u>
Capital reduction payable to shareholders	39,188	39,319
Unclaimed dividend	10,260	2,705
Accrued and other payables	<u>41,802</u>	<u>41,593</u>
	<u>91,250</u>	<u>83,617</u>

12 Share capital

	<u>31 December 2022</u>	<u>31 December 2021</u>
Authorised		
400,000,000 (2021: 400,000,000) ordinary shares of 100 Fils each	<u>40,000,000</u>	<u>40,000,000</u>
Issued and fully paid-up		
93,609,100 (2021: 104,010,115) ordinary shares of 100 Fils each	<u>9,360,910</u>	<u>10,401,011</u>

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 31 March 2022 to reduce the share capital from BD10,401,011 to BD9,360,910.

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 2022 and 2021 are as follows:

	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
Marsa Leisure Company (Holding) B.S.C (c)	Bahraini	43,217,105	46.168%
Ossis B.S.C. (c)	Bahraini	9,853,590	10.526%
Inovest B.S.C.	Bahraini	9,853,590	10.526%
H.E. Sh. Sultan Bin Khalifa Al Nahyan	Emirati	5,419,475	5.789%
Al Dammam Development Company S.S.C (c)	Saudi	<u>4,754,357</u>	<u>5.079%</u>
		<u>73,098,117</u>	<u>78.089%</u>

12 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 2021 are as follows:

	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
Marsa Leisure Company (Holding) B.S.C. (c)	Bahraini	48,019,006	46.168%
Inovent 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	<u>5,282,619</u>	<u>5.079%</u>
		<u>81,220,130</u>	<u>78.089%</u>

Details of the Directors' interests in the Company's shares as at 31 December 2022 and 31 December 2021 are as follows:

<u>Name of the directors</u>	<u>2022 Number of shares</u>	<u>2021 Number of shares</u>
Saud Kanoo	985,359	1,094,844
Faisal Al Matrook	<u>1,147,794</u>	<u>1,275,327</u>
	<u>2,133,153</u>	<u>2,370,171</u>

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 BD13,878 has been transferred to the statutory reserve (2021: BD40,038).

(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 BD701,860 (2021: BD63,121) has been transferred to the foreign currency translation reserve.

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14 Profit from investment securities

	31 December <u>2022</u>	31 December <u>2021</u>
Dividend from equity-type instruments	46,326	109,745
Profit from debt-type instruments	<u>82,500</u>	<u>82,500</u>
	<u>128,826</u>	<u>192,245</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.

	31 December <u>2022</u>	31 December <u>2021</u>
Net profit attributable to the owners	<u>BD138,783</u>	<u>BD400,375</u>
Weighted average number of ordinary shares	<u>93,609,100</u>	<u>104,010,115</u>
Basic and diluted earnings per share	<u>Fils1.5</u>	<u>Fils3.85</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 2022 and 2021. 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:

Related party relationship	Transaction type	For the year ended Transaction amount	
		31 December <u>2022</u>	31 December <u>2021</u>
Directors	Directors remuneration *	<u>36,000</u>	<u>32,673</u>
Directors	Board member fees and allowances	<u>10,650</u>	<u>6,400</u>
Key management personnel **	Salaries and other short-term benefits	<u>92,400</u>	<u>92,400</u>
Directors	Premises leased	<u>13,887</u>	<u>13,887</u>

* The Board of Directors have proposed a directors' remuneration amounting to BD12,490 (2021: BD36,000 for the year ended 31 December 2021) for the year ended 31 December 2022. 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.

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17 Maturity profile

Maturity profile of assets and liabilities is as follows:

	At 31 December 2022				
	Carrying amount	Up to 6 months	6-12 months	1-5 Years	5 years and above
Assets					
Cash and bank balances	439,034	439,034	-	-	-
Investment securities	10,242,048	-	-	10,242,048	-
Investment in real estate	1,512,971	-	-	1,512,971	-
Receivables and prepayments	<u>531,228</u>	<u>531,228</u>	-	-	-
Total assets	<u>12,725,281</u>	<u>970,262</u>	-	<u>11,755,019</u>	-
Liabilities					
Other liabilities	<u>91,250</u>	<u>65,230</u>	<u>26,020</u>	-	-
Total liabilities	<u>91,250</u>	<u>65,230</u>	<u>26,020</u>	-	-
	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	<u>13,001</u>	-	<u>13,001</u>	-	-
Total assets	<u>14,908,672</u>	<u>1,890,275</u>	<u>419,041</u>	<u>12,599,356</u>	-
Liabilities					
Murabaha financing	507,178	507,178	-	-	-
Ijarah liability	13,454	-	13,454	-	-
Other liabilities	<u>83,617</u>	<u>41,593</u>	<u>42,024</u>	-	-
Total liabilities	<u>604,249</u>	<u>548,771</u>	<u>55,478</u>	-	-

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 2022 and 2021.

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 <u>2022</u>	31 December <u>2021</u>
Murabaha financing	-	507,178
Other liabilities	91,250	83,617
Ijarah liability	-	13,454
Less: cash and cash equivalents	<u>(439,034)</u>	<u>(796,690)</u>
Net surplus	<u>(347,784)</u>	<u>(192,441)</u>
Total capital	<u>12,643,031</u>	<u>14,304,423</u>
Total capital and net surplus	<u>12,295,247</u>	<u>14,111,982</u>
Net gearing ratio	<u>-</u>	<u>-</u>

The Group has a net surplus position at 31 December 2022 and 2021, 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%	+/- 319,638	+/-3%	+/- 191,783

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.

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.

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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 2022 and 31 December 2021:

<u>Investments designated at fair value through statement of income</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>For the year ended 31 December 2022</i>				
<i>Quoted Securities</i>	-	-	1,564,500	1,564,500
<i>Sukuk</i>				
<i>Unquoted Securities</i>	-	<u>8,677,548</u>	-	<u>8,677,548</u>
<i>Private equities</i>	-	<u>8,677,548</u>	<u>1,564,500</u>	<u>10,242,048</u>
<i>For the year ended 31 December 2021</i>				
<i>Quoted Securities</i>	-	-	1,564,500	1,564,500
<i>Sukuk</i>				
<i>Unquoted Securities</i>	-	<u>9,148,553</u>	-	<u>9,148,553</u>
<i>Private equities</i>	-	<u>9,148,553</u>	<u>1,564,500</u>	<u>10,713,033</u>

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2022, there were no transfer from level 3 to level 2.

19 Contingent liabilities and commitments

As at 31 December 2022, the Company do not have any contingent liabilities and commitments arising in the ordinary course of business (2021: BDNil).

20 Subsequent events

There were no events subsequent to 31 December 2022 and occurring before the date of signing of the consolidated financial statements that would have a significant impact on these consolidated financial statements.