

Alkffa Holding B.S.C. (c)

**Consolidated financial statements
for the year ended 31 December 2021**

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Commercial registration No. 39646-1 obtained on 2 December 1997

Shareholders Group of Bahraini shareholders
Group of GCC shareholders

Board of Directors Jamal Fahad Alnafisi - Chairman
Majed Yousef Ahmed Al-Ali – Vice Chairman & CEO
Sheikh Yousef Abdullah Sabah Alsabah
Yahya Salem Ghanim Alharees
Ibrahim Cheaib Cheaib

Bankers Bank of Bahrain and Kuwait
Al Salam Bank
Khaleeji Commercial Bank

Registered office Office No. 31
Building No. 680
Road No. 2811
Al Seef 428
Kingdom of Bahrain

Auditors Baker Tilly MKM Public Accountants
5th Floor, Platinum Tower
Al Seef Area
PO Box 11674
Manama
Kingdom of Bahrain

Date: 17 February 2022



**Sharia Supervisory Board Report on the activities of Alkffa Holding B.S.C. (c)
For the Financial Year Ended on 31 December 2021**

In The Name of Allah, the Most Beneficent, the Most Merciful, Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions

To the Shareholders of Alkffa Holding B.S.C. (c) "the Group",

Acting as Sharia Supervisory Committee pursuant to the appointment resolution passed by the General Assembly of the Group, we are required to provide the following report:

The Sharia board of Alkffa Group has reviewed the Group principles, contracts or agreements related transactions, and applications submitted by the Group for the financial year ended on 31 December 2021, and upon comparing them with the fatwa and rulings issued during the financial year ended on 31 December 2021, we found them compatible with the above mentioned fatwa and rulings.

We performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Alkffa Group has not violated Islamic Shari rules and principles.

The Sharia board believes that it has expressed its opinion in respect of the activities carried out by Alkffa Group, and the management is responsible for ensuring that the Group conducts its business in accordance with Islamic Shari. However, our responsibility is limited to form an independent opinion based on our review of the activities and operations conducted by Alkffa Group.

In our opinion:

The contracts, transactions and dealings entered into by the Group during the financial year ended on 31 December 2021 that we have reviewed are in compliance with the Islamic Shari rules and principles.

The calculation of Zakat is in compliance with Islamic Shari rules and principles.

The Sharia board has also discussed the consolidated financial statements for financial year ended on 31 December 2021 with the representative of the Group, and the Sharia board is satisfied that these consolidated financial statements are in compliance with the Islamic Sharia.

This report has been prepared based on the information provided by the Group, the Sharia board is satisfied that the Group activities are in compliance with the Islamic Sharia.

Prayers and Peace are upon the last messenger, our prophet Mohammed, his family and companions.

Sheikh Dr. Khalid Shuja'a Al-Otaibi. Chairman

Sheikh Dr. Murad Bou Daia. Member

Sheikh Dr. Dawoud Salman Rin Essa. Executive Member

BOARD OF DIRECTORS' REPORT

For the year ended 31 December 2021

US dollars

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Mohammed.

Dear Shareholders

The Directors have pleasure to submit their report, together with the consolidated financial statements of ALKFFA HOLDING B.S.C. (C) for the year ended 31 December 2021.

Overview:

ALKFFA HOLDING B.S.C (C) (Previously known as Investors Bank B.S.C. (C)) (the "Company") was established in the Kingdom of Bahrain as an exempt company on 2 December 1997. The legal status of the Company was changed to a closed Bahraini joint stock company on 3 July 2005. The Company was operating under an investment banking license (Wholesale Islamic Bank). In the Extraordinary General Assembly of shareholders held on 22 September 2016, it was resolved to surrender the banking license and to discontinue all the Company's banking operations. The banking license was cancelled effective 31 January 2017.

Currently, the company is operating as Holding Company under the regulation of Ministry of Industry, Commerce and Tourism, Bahrain.

During the year ended 31 December 2021 the Company incorporated a new fully owned subsidiary in the Kingdom of Bahrain under the name of (Alkffa Real Estate W.L.L.) with commercial registration number 143158 that is engaged in real estate activities.

Principal Activities

The principal activities of the Group include investment transactions, participating in equity investments in projects in conformity with the Islamic Sharia, in addition to real estate activities. The parent company is carrying on the activities of holding companies.

Financial Position and Results

The detailed consolidated financial position of the Group at 31 December 2021 and the results for the year ended are set out in the accompanying consolidated financial statements.

Financial highlights	2021	2020
Total assets	48,590,404	48,009,529
Total equity	44,384,937	43,915,892
Net profit for the year	1,494,615	1,650,941

Movement in retained earnings	2021	2020
Balance at January 1	2,671,034	885,374
Net profit for the year	1,494,615	1,650,941
Transfer to statutory reserve	(149,462)	(165,094)
Reclassification	-	299,813
Balance at December 31	4,016,187	2,671,034

Dividends

The Board of Directors has not made any appropriations for dividends for the year ended 31 December 2021 (31 December 2020: nil).

BOARD OF DIRECTORS' REPORT (continued)

Board of Directors

The following are the directors of the parent company as at 31 December 2021:

Name	Title	Independent/ Non Independent
Mr. Jamal Fahad Alnafisi	Chairman	Non Independent
Mr. Majed Yousef Ahmed Al-Ali	Vice Chairman & CEO	Non Independent
Sheikh Yousef Abdulla Sabah Alsabah	Member	Independent
Mr. Yahya Salem Ghanim Alharees	Member	Independent
Mr. Ebrahim Cheaib Cheaib	Member	Independent

Board of directors' remuneration details

US dollars													
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:													
Sheikh Yousef Abdulla Sabah Alsabah		2,500			2,500							2,500	
Yahya Salem Ghanim Alharees		2,500			2,500							2,500	
Ebrahim Cheaib Cheaib		2,500			2,500							2,500	
Second: Non-Executive Directors:													
Jamal Fahad Alnafisi		2,500			2,500							2,500	
Third: Executive Directors:													
Majed Yousef Ahmed Al-Ali		2,500	458,086		460,586		50,000			50,000		510,586	
Total		12,500	458,086		470,586		50,000			50,000		520,586	

BOARD OF DIRECTORS' REPORT (continued)

Executive management remuneration details

				US dollars
Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Majed Yousef Ahmed Al-Ali ** (Chief Executive Officer)	460,586	50,000	-	510,586

Note ** The Only Executive Management in the company

Auditors

Baker Tilly MKM Public Accountants have expressed their willingness to continue in office and a resolution proposing their appointment, as auditors of the Group for the year ending 31 December 2022 will be submitted to the Annual General Meeting

Thanks

We wish to express our gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa The King of the Kingdom of Bahrain and His Royal Highness Prince Salman bin Hamad Al Khalifa the Prime Minister Deputy Supreme Commander and Crown Prince, the Ministry of Industry Commerce and Tourism Gratitude is also extended to the Sharia'a Supervisory Board for their support and valuable guidance to our investors and to our members of staff executives and employees.

Mr Jamal Fahan Al Nafisi
Chairman

17 February 2022

Mr Majed Yousef Ahmed Al-Ali
Vice Chairman & CEO

**Independent auditors' report to the shareholders of
Alkffa Holding B.S.C. (c)**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alkffa Holding B.S.C. (c) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Directors' report, set on pages 4 to 5, but does not include the consolidated financial statements and our auditors' report thereon.

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 Board of Directors for the Consolidated Financial Statements

Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as 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, 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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Group's financial reporting process.

**Independent auditors' report to the shareholders of
Alkffa Holding B.S.C. (c) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' 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 auditors' 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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs), 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 auditors' 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 auditors' 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.

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

Report on Anti-Money Laundering and Terrorism Financing Requirements

Further, as required by the Bahrain Commercial Companies Law in case of the Company, Ministerial Order Number 173 of 2017, we have examined the internal controls, systems of the Company as well as the policies and procedures relevant to detecting and reporting of suspicious transactions, in addition to systems and procedures relevant for Customer/Client identification. To the best of our knowledge and belief, we report that:

- (1) The Company maintains proper internal controls systems and procedures sufficient of monitoring and reporting of suspicious or extraordinary transactions;
- (2) the Company holds sufficient measures and internal procedures relevant to verifying the identity of its customers; and
- (3) the Company had no suspicious or extraordinary transactions to report during the year ended 31 December 2021.

In addition, we report that, we are not aware of any violations to the Ministerial Order Number 173 of 2017 concerning the obligations related to the procedures of the Prohibition of Combating Money Laundering and Terrorism Finance in the Business of the Persons Registered in the Commercial Register and the Audit Registry and Ministry of Industry, Commerce and Tourism with respect to Anti-Money Laundering and Terrorism Finance.

**Independent auditors' report to the shareholders of
Alkffa Holding B.S.C. (c) (continued)**

Report on Other Legal and Regulatory Requirements
In regards to the Company, we report that:

- a) As required by the Commercial Companies Law of 2001 as amended:
- (1) The Company has, maintained proper accounting record and the consolidated financial statements are in agreement therewith;
 - (2) The financial information contained in the Board of Directors' report is consistent with the consolidated financial statements;
 - (3) Nothing has come to our attention which causes us to believe that the Group has breached any of the applicable provisions of Bahrain Commercial Companies' law, or the items of its Articles of Association that would a material adverse effect on its businesses or its consolidated financial position; and
 - (4) Satisfactory explanations and information have been provided to us by the management in response to all our requests.
- b) As required by Article (8) of section (2) of chapter (1) of the Bahrain corporate governance code, the Company:
- (1) Has appointed a corporate governance officer; and
 - (2) Has a board approved written guidance and procedures for corporate governance.


Manama, Kingdom of Bahrain
17 February 2022
Eyad Husain
Registration Number 98

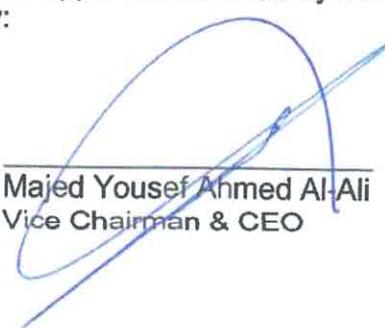


Alkffa Holding B.S.C. (c)
Consolidated statement of financial position as at 31 December 2021
(Expressed in US Dollars)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Fixed assets	7	23,071	30,991
Investment properties	8	14,805,595	15,552,966
Financial assets at FVTOCI	9	9,652,558	10,678,128
Dividend receivables	11	887,733	887,733
		<u>25,368,957</u>	<u>27,149,818</u>
Current asset			
Financial assets at FVTPL	10	18,707,600	16,598,193
Other receivables	12	119,964	60,156
Cash and cash equivalents	13	4,393,883	4,201,362
		<u>23,221,447</u>	<u>20,859,711</u>
Total assets		<u>48,590,404</u>	<u>48,009,529</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	40,000,000	40,000,000
Statutory reserve	15	1,620,673	1,471,211
Fair value reserve		(1,251,923)	(226,353)
Retained earnings		4,016,187	2,671,034
		<u>44,384,937</u>	<u>43,915,892</u>
Non-current liabilities			
Due to a financial institution	11	3,670,202	3,670,202
Current liabilities			
Other payables	16	535,265	423,435
Total equity and liabilities		<u>48,590,404</u>	<u>48,009,529</u>

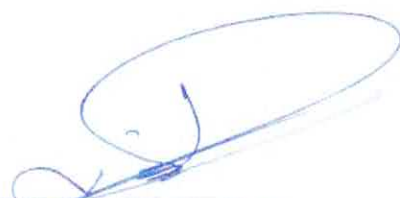
These consolidated financial statements, set out on pages 9 to 32, were approved for issue by the Board of Directors on 17 February 2022 and signed on their behalf by:


Jamal Fahad Alnafisi
Chairman

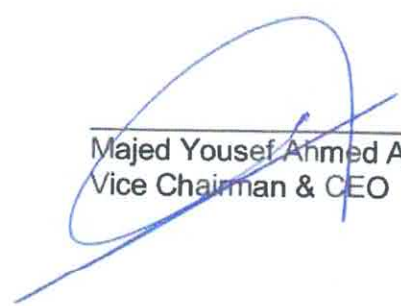

Majed Yousef Ahmed Al-Ali
Vice Chairman & CEO

Alkffa Holding B.S.C. (c)**Consolidated statement of comprehensive income for the year ended 31 December 2021****(Expressed in US Dollars)**

	<u>Notes</u>	<u>Year ended 31 December 2021</u>	<u>Year ended 31 December 2020</u>
Rental income	17	104,369	489,117
Fair value gain on financial assets at FVTPL	10	2,109,407	562,813
Fair value loss on investment properties	8	-	(2,656,793)
Dividend income on financial assets at FVTOCI		38,633	-
Dividend income on financial assets at FVTPL		92	5,296
Loss on disposal of investment property	8	(32,675)	(289,125)
Commodity murabaha revenues		90,287	9,030
Write back of receivable from sale of investments	18,22	-	4,707,382
Write back of provision on other receivables	18,22	-	118,474
Write-off of deferred payment sale receivable	18,22	-	(780,649)
Gain on disposal of fixed assets	7	-	81,794
Foreign exchange loss		(2,088)	(2,145)
Other income	19	<u>10,522</u>	<u>265,799</u>
Total income, net		<u>2,318,547</u>	<u>2,510,993</u>
Expenses			
Depreciation	7	(7,920)	(7,671)
Staff costs	20	(582,353)	(609,633)
General and administrative expenses	21	<u>(233,659)</u>	<u>(242,748)</u>
		<u>(823,932)</u>	<u>(860,052)</u>
Net profit for the year		<u>1,494,615</u>	<u>1,650,941</u>
Other comprehensive income:			
Fair value loss on financial assets at FVTOCI	9	<u>(1,025,570)</u>	<u>(457,143)</u>
Total comprehensive income for the year		<u>469,045</u>	<u>1,193,798</u>



Jamal Fahad Alnafisi
Chairman



Majed Yousef Ahmed Al-Ali
Vice Chairman & CEO

Alkffa Holding B.S.C. (c)
Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2021
(Expressed in US Dollars)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total</u>
At 31 December 2019	40,000,000	1,306,117	530,603	885,374	42,722,094
Total comprehensive income for the year	-	-	(457,143)	1,650,941	1,193,798
Transfer to statutory reserve	-	165,094	-	(165,094)	-
Reclassification (Note 9)	-	-	(299,813)	299,813	-
At 31 December 2020	40,000,000	1,471,211	(226,353)	2,671,034	43,915,892
Total comprehensive income for the year	-	-	(1,025,570)	1,494,615	469,045
Transfer to statutory reserve	-	149,462	-	(149,462)	-
At 31 December 2021	<u>40,000,000</u>	<u>1,620,673</u>	<u>(1,251,923)</u>	<u>4,016,187</u>	<u>44,384,937</u>

Alkffa Holding B.S.C. (c)
Consolidated statement of cash flows for the year ended 31 December 2021
(Expressed in US Dollars)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Operating activities			
Net profit for the year		1,494,615	1,650,941
Adjustments for:			
Depreciation	7	7,920	7,671
Fair value gain on financial assets at FVTPL	10	(2,109,407)	(562,813)
Fair value loss on investment properties	8	-	2,656,793
Loss on disposal of investment properties	8	32,675	289,125
Write back of receivable from sale of investments	18,22	-	(4,707,382)
Write back of other receivables	18,22	-	(118,474)
Write-off of deferred payment sale receivable	18,22	-	780,649
Gain on disposal of fixed assets	7	-	(81,794)
Commodity murabaha revenues		(90,287)	(9,030)
Dividend income		(38,725)	(5,296)
Changes in operating assets and liabilities:			
Other receivables		(59,808)	(49,868)
Other payables		111,830	52,330
Net cash used in operating activities		(651,187)	(97,148)
Investing activities			
Additions to financial assets at FVTOCI	9	-	(246,855)
Proceeds from sale of investment properties	8	1,143,635	4,111,406
Proceeds from sale fixed assets	7	-	84,575
Additions to investment properties	8	(428,939)	-
Additions to fixed assets	7	-	(37,434)
Commodity murabaha revenues received		90,287	9,030
Dividend received		38,725	5,296
Net cash provided by investing activities		843,708	3,926,018
Net change in cash and cash equivalents		192,521	3,828,870
Cash and cash equivalents, beginning of the year		4,201,362	372,492
Cash and cash equivalents, end of the year	13	4,393,883	4,201,362
Non-cash activities:			
Receivable from sale of investments	9	-	4,707,382
Deferred payment sale receivable	9	-	2,899,554
Other receivables	9	-	118,474
Financial assets at FVTOCI, additions	9	-	(7,725,410)

1 Organization and activities

Alkffa Holding B.S.C. (c) ("the Company") and its subsidiary comprise ("the Group"). The Company is a Bahrain Shareholding Company (closed) registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 39646-1 obtained on 2 December 1997.

The Company is principally engaged in activities of holding companies.

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

2 Structure of the Group**Subsidiary**

The details of the Company's investment in a subsidiary as at 31 December 2021 are as follows:

<u>Name of the subsidiary</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest</u>	<u>Principal activities</u>	<u>Type of ownership</u>
Alkffa Real Estate W.L.L.	Kingdom of Bahrain	100% (2020: 0%)	Real estate activities with own or leased property	Direct

3 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiary, after elimination of all inter-company transactions, balances and unrealized surpluses and deficits on transactions between the group companies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated; unrealized losses are also eliminated unless the costs cannot be recovered. Accounting policies of subsidiary has been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Entities controlled by the Group by virtue of more than fifty percent of the voting shares are considered as subsidiaries. Entities, over which the Group has significant influence and which are not subsidiaries, are considered either as associates or joint ventures.

The Group does not consolidate its holdings in those entities from which it does not obtain any benefit from its activities and the investment is held only on behalf, and for the beneficial interest, of third parties.

During the year ended 31 December 2021, the Company incorporated "Alkffa Real Estate W.L.L." that is owned 100% by the Company.

3 Basis of consolidation (continued)

The total assets and total comprehensive loss for the year of Alkffa Real Estate W.L.L. have been extracted from unaudited financial statements prepared as at, and for the year ended 31 December 2021.

4 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the requirements of the Bahrain Commercial Companies Law of 2001, as amended.

Basis of presentation

The functional currency of the Group is United States Dollars.

The consolidated financial statements have been prepared under the historical cost basis except for the measurement of financial assets and investment properties at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise judgment in the process of applying the Group's accounting policies.

Standards, interpretations and amendments to standards and interpretations effective for the first time during the year ended 31 December 2021

Newly effective standards, interpretations and amendments to standards and interpretations, have been adopted by the Group. The adoption of these standards, interpretations and amendments did not have any material effects on these consolidated financial statements.

Standards, interpretations and amendments to standards and interpretations but not yet effective as at 31 December 2021

The following issued but not yet effective standards, interpretations and amendments to standards and interpretations, have not been early adopted by the Group. There would have been no change in the operational results of the Group for the year ended 31 December 2021 had the Group early adopted any of the below standards, interpretations or amendments applicable to the Group. These standards, interpretations and amendments will be adopted by the Group at its accounting periods starting on or after the effective dates.

4 Basis of preparation (continued)

Standards, interpretations and amendments to standards and interpretations but not yet effective as at 31 December 2021 (continued)

<u>Standards, interpretations and amendments</u>	<u>Effective date</u>
Proceeds before Intended Use: Amendments to IAS 16 "Property, Plant and Equipment"	1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"	1 January 2022
IFRS 17 "Insurance Contracts"	1 January 2023
Classification of Liabilities as Current or Non-Current, and Disclosure of Accounting Policies: Amendments to IAS 1 "Presentation of Financial Statements"	1 January 2023
Definition of Accounting Estimates: Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	1 January 2023
Deferred Tax On Leases and Decommissioning Obligations, and Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction: Amendments to IAS 12 "Income Taxes"	1 January 2023

Annual improvements to IFRS's cycle

Annual improvements to IFRS's make necessary, but non-urgent, amendments to IFRSs. These improvements include a number of amendments to various IFRSs (effective from 1 January 2022).

They include amendments to:

- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' – Amendment related to subsidiary as a first-time adopter
- IFRS 9, 'Financial Instruments' – Amendment related to fees in the '10 per cent' test for de-recognition of financial liabilities
- IFRS 16, 'Leases' – Amendment related to lease incentives
- IAS 41, 'Agriculture' – Amendment related to taxation in fair value measurement

5 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 during all the years presented, unless stated otherwise.

Investment properties

Investment properties comprise freehold land and buildings that is held for long-term rental yields or capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values are included in the statement of comprehensive income in the period in which they arise.

5 Significant accounting policies (continued)

Investment properties (continued)

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the statement of comprehensive income in the period of retirement or disposal.

Gains or losses on the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying value of the asset as at the disposal date.

Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line method to write-off the cost of fixed assets to their estimated residual values over their expected useful lives which are between 3 to 5 years.

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

Gains and losses on disposal of fixed assets are determined by reference to their carrying amounts and are taken into account in determining net profit.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

- Financial assets at amortized cost;
- Financial assets at fair value through profit or loss ("FVTPL"); and
- Financial assets at fair value through other comprehensive income ("FVTOCI").

a) Financial assets at amortized cost

Financial assets that arise principally from the provision of goods and services to customers, or which are held within a business model whose objective is achieved by collecting contractual cash flows, and where the contractual cash flows represent solely payments of principal and interest are classified as amortized cost unless the asset is designated at fair value through profit or loss under fair value option.

These assets are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized based on a forward looking expected credit loss model.

The following financial assets are recognized at amortized cost:

5 Significant accounting policies (continued)

Financial assets (continued)

a) Financial assets at amortized cost (continued)

• **Other receivables**

Other receivables are carried at their anticipated realizable values. A provision is made for impaired other receivables based on a review of all outstanding amounts at the year-end. Impaired other receivables are written-off during the year in which they are identified.

• **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank balances and short-term deposits with maturities less than three months..

b) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that are held within a business model whose sole objective is achieved by selling financial assets only, or all other financial assets those do not meet the criteria for being measured at amortized cost or FVTOCI are classified as fair value through profit or loss ("FVTPL") unless the investment is designated at fair value through other comprehensive income under other comprehensive income option.

Further, even if a financial instrument meets the requirements to be measured at amortized cost or FVTOCI, the financial assets could be elected to be measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases (Fair value option).

FVTPL financial assets are initially recognized at fair value only. The related transaction costs of the initial acquisition of the FVTPL financial assets are expensed in profit or loss. Subsequent to initial recognition, FVTPL financial assets are continued to be re-measured to their fair value. Any unrealized gains and losses arising from changes in the fair value of the FVTPL financial assets are recognized in the statement of profit or loss.

Dividend income from FVTPL financial assets is recognized in the statement of profit or loss when the Group's right to receive payments is established.

c) Financial assets at fair value through other comprehensive income ("FVTOCI")

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the contractual cash flows represent solely payments of principal and interest are classified as fair value through other comprehensive income ("FVTOCI") unless the asset is designated at fair value through profit or loss under fair value option.

5 Significant accounting policies (continued)

Financial assets (continued)

Financial assets at fair value through other comprehensive income ("FVTOCI") (continued)

FVTOCI financial assets are initially recognised at fair value plus transaction costs. Subsequently, these FVTOCI financial assets are carried at fair value only. Any unrealized gains and losses arising from changes in the fair value of the FVTOCI financial assets are taken to a fair value reserve in shareholders' equity. When FVTOCI financial assets are sold or assessed as impaired, the accumulated fair value adjustments are transferred to retained earnings.

Impairment losses (and reversal of impairment losses) on the FVTOCI financial assets are not reported separately from other changes in fair value.

Dividend income from FVTOCI financial assets is recognized in the statement of profit or loss when the Group's right to receive payments is established.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

- Financial liabilities at amortized cost; and
- Financial liabilities at fair value through profit or loss ("FVTPL");

The only category applicable to the Group is financial liabilities at amortized cost which uses the following accounting policy.

Financial liabilities at amortized cost

These financial liabilities are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently re-measured at amortized cost using the effective interest method. The Group's financial liabilities at amortized cost comprise the following:

- **Other payables**

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

Leases

Where leases have a lease term of 12 months or less and containing no purchase options, or where the underlying asset of the lease has a low value, the lease can be classified as operating lease and account for lease payments as an expense charged to the statement of comprehensive income on a straight-line basis over the lease term.

Provisions

The Group recognizes provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events, and a reasonable estimate of the obligation can be made.

5 Significant accounting policies (continued)

Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of comprehensive income.

Income

Rental income is recognized with accrual basis for the period it relates.

Other income is recognized on the accrual basis as occurred.

6 Critical accounting judgments and key sources of estimation uncertainty

Preparation of consolidated financial statements in accordance with IFRS requires the Group's Board of Directors to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

Other than those listed below, the Board of Directors has not made any judgments, estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability, in the absence of a principal market.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

6 Critical accounting judgments and key sources of estimation uncertainty (continued)**Fair value measurement (continued)**

To obtain a fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole.

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The financial assets and the investment properties of the Group that require fair value measurements as at 31 December 2021 and 31 December 2020 are disclosed in Note 24.

Investments classifications

The investments are classified by management based on the dividend yield, intention and purpose.

Power to exercise significant influence

Subsidiaries are fully consolidated from the date on which, control is achieved. The Group's management takes into consideration the following factors while determining, if the Group has control and power to exercise significant influence over its investee entities:

- control over the board of directors of the investee entity;
- rights to control the operational decision making process of the investee entity;
- the ability to exercise its power over the investee that will affect the investee entity's financial position and returns.

The Group's management reviews at each reporting date, the above facts and circumstances that may indicate any change due to one or more elements mentioned above and confirms its continued ability and power to exercise significant influence over the investee entities. Any change in the assumptions and circumstances will have an impact on the Group management's decision making process.

7 Fixed assets

	<u>Fixtures</u>	<u>Furniture and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost</u>				
At 31 December 2019	1,411,672	820,297	21,292	2,253,261
Additions during the year	-	637	36,797	37,434
Disposals during the year	<u>(1,411,672)</u>	<u>(755,546)</u>	<u>(21,292)</u>	<u>(2,188,510)</u>
At 31 December 2020 and 2021	<u>-</u>	<u>65,388</u>	<u>36,797</u>	<u>102,185</u>
<u>Accumulated depreciation</u>				
At 31 December 2019	1,410,747	817,568	20,937	2,249,252
Charge for the year	53	872	6,746	7,671
Disposals during the year	<u>(1,410,800)</u>	<u>(753,637)</u>	<u>(21,292)</u>	<u>(2,185,729)</u>
At 31 December 2020	-	64,803	6,391	71,194
Charge for the year	<u>-</u>	<u>206</u>	<u>7,714</u>	<u>7,920</u>
At 31 December 2021	<u>-</u>	<u>65,009</u>	<u>14,105</u>	<u>79,114</u>
<u>Net book amount</u>				
At 31 December 2021	<u>-</u>	<u>379</u>	<u>22,692</u>	<u>23,071</u>
At 31 December 2020	<u>-</u>	<u>585</u>	<u>30,406</u>	<u>30,991</u>

During the year ended 31 December 2020, fixed assets with a net book value of USD2,781 have been disposed-off for a gain of USD81,794.

8 Investment properties

The movement in the investment properties during the year is as follow:

	<u>Year ended 31 December 2021</u>	<u>Year ended 31 December 2020</u>
At 1 January	15,552,966	22,610,290
Fair value loss	-	(2,656,793)
Additions during the year	428,939	-
Disposal during the year	<u>(1,176,310)</u>	<u>(4,400,531)</u>
At 31 December	<u>14,805,595</u>	<u>15,552,966</u>

During the year ended 31 December 2021, an investment property with a fair value of USD1,176,310 (2020: USD4,400,531) has been disposed-off for a loss of USD32,675 (2020: USD289,125).

8 Investment properties (continued)

The carrying values of each investment properties as at the reporting date are as follows:

	31 December 2021	31 December 2020
Burhama land	7,161,802	7,161,802
Hoorah building 91700	3,607,427	3,607,427
Hoorah building 92072	3,607,427	3,607,427
Al Muhanned tower (unit 7)	-	1,176,310
Muhrraq building 350	428,939	-
	<u>14,805,595</u>	<u>15,552,966</u>

The fair value losses on investment properties recognized during the year are as follow:

	Year ended 31 December 2021	Year ended 31 December 2020
Al Muhanned tower (unit 7)	-	(62,628)
Burhama land	-	(954,909)
Hoorah building 91700	-	(867,373)
Hoorah building 92072	-	(771,883)
	<u>-</u>	<u>(2,656,793)</u>

Investment properties are measured at fair value using observable level 2 inputs obtained from an independent valuer (Note 24).

9 Financial assets at FVTOCI

The movement in the financial assets at FVTOCI is as follow:

	Year ended 31 December 2021	Year ended 31 December 2020
At 1 January	10,678,128	3,163,006
Additions during the year	-	7,972,265
Fair value loss	(1,025,570)	(457,143)
Reclassified from fair value reserve	-	(299,813)
Reclassified to retained earnings	-	299,813
At 31 December	<u>9,652,558</u>	<u>10,678,128</u>

During the year ended 31 December 2020, USD299,813 was reclassified from fair value reserve to retained earnings in accordance with classifications requirements of FVTOCI.

9 Financial assets at FVTOCI (continued)

The breakup of financial assets at FVTOCI as at 31 December is as follow:

	31 December 2021	31 December 2020
Gulf Monetary Group, Bahrain	6,780,163	8,012,920
Bahrain Islamic Bank, Bahrain	1,548,544	1,626,951
Takaful International, Bahrain	1,004,465	695,399
Gulf Monetary Group, Bahrain (Managed portfolio)	191,345	226,136
Bahrain Family Leisure Co., Bahrain	55,703	61,273
First Takaful Insurance Co., Kuwait	72,338	55,449
	<u>9,652,558</u>	<u>10,678,128</u>

The shares of Bahrain Islamic Bank are under legal dispute and in custody of the Court (Notes 11 & 23).

Financial assets at FVTOCI include quoted and unquoted shares.

10 Financial assets at FVTPL

The movement in the financial assets at FVTPL is as follow:

	Year ended 31 December 2021	Year ended 31 December 2020
At 1 January	16,598,193	16,035,380
Fair value gain	<u>2,109,407</u>	<u>562,813</u>
At 31 December	<u>18,707,600</u>	<u>16,598,193</u>

The breakup of financial assets at FVTPL as at 31 December is as follow:

	31 December 2021	31 December 2020
Al Salam Bank, Bahrain	137,277	97,388
Khaleeji Commercial Bank, Bahrain	19,394	15,084
GFH Financial Group, Bahrain	6,099	3,011
International Holding Group, Kuwait (Previously called "International Investment Group")	14,442,965	12,403,767
Grand Real Estate Projects Co., Kuwait	<u>4,101,865</u>	<u>4,078,943</u>
	<u>18,707,600</u>	<u>16,598,193</u>

Financial assets at FVTPL include quoted and unquoted shares.

11 Dividend receivables, deferred payment sales receivables and due to a financial institution

On 7 March 2004 the Group entered into a sale and purchase agreement with a financial institution (ABC Islamic Bank) to purchase shares of a related party for a total consideration of USD5,811,957 including six-month deferred payment costs of USD141,755. Concurrently, the Group entered into an agreement with a related party to sell the same shares for a total consideration of USD 5,821,958 including deferred payment costs of USD151,755, payable on 30 September 2004.

In accordance with the terms of the sale and purchase agreement, the Group pledged certain equity investments along with subsequent dividend shares received with a carrying value as at 31 December 2021 amounted to USD1,548,544 (2020: USD1,626,951) and dividend receivables up to 2006 totaling USD887,733 respectively.

At the date of signature of both agreements, the net remaining amounts due to the financial institution and due from the related party amounted to USD3,670,202 and USD3,680,203 respectively (excluding deferred payment costs). No further settlements were made and the agreement was terminated by the financial institution, which in return, retained the Group's pledged shares. The Group's Board of Directors considered that the agreement was wrongfully terminated and the pledged shares are unlawfully retained. The Group has filed a legal case before the courts of Bahrain against the financial institution for repossession of the pledged shares, which are currently under the custody of the court with the related dividend.

Further, at that time, a cheque in the amount of USD3,680,203 representing the amount due to the Group on the deferred sale of shares was drawn by that related party and deposited at the court.

During the year ended 31 December 2020, the Group reached a settlement agreement with the related party, Gulf Monetary Group (GMG), in which the deferred payment sales receivables of USD3,680,203 would be exchanged for 11,152,130 shares in GMG with a fair value of USD2,899,554 (Note 22).

In the opinion of the Group's Board of Directors, no provision is required to be made in these consolidated financial statements against the pledged shares or against any contingent liabilities that might arise on the final settlement.

12 Other receivables

	31 December 2021	31 December 2020
Amounts due from related parties (Note 22)	113,265	52,307
Prepayments and other receivables	6,699	7,849
	<u>119,964</u>	<u>60,156</u>

13 Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand	141	1,326
Murabaha short-term deposits	3,185,544	3,187,639
Current account balances with banks	<u>1,208,198</u>	<u>1,012,397</u>
	<u>4,393,883</u>	<u>4,201,362</u>

The current account balances are non-profit earning.

Mudarabah short-term deposits have original maturities of 3 months or less.

14 Share capital

In accordance with the Memorandum and Articles of Association of the Company, the authorized share capital is USD100,000,000 and the paid up share capital is USD40,000,000, comprising 121,212,121 shares of USD0.33 each.

The shareholding pattern as at 31 December 2021 and 31 December 2020 is as follows:

	Number of shares	Amount	Percentage of ownership interest
Group of Bahraini Shareholders	15,363,230	5,069,866	12.67%
Group of GCC Shareholders	<u>105,848,891</u>	<u>34,930,134</u>	<u>87.33%</u>
	<u>121,212,121</u>	<u>40,000,000</u>	<u>100%</u>

15 Statutory reserve

In accordance with the provisions of the Bahrain Commercial Companies Law of 2001, as amended, 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 share capital is set aside. During the year ended 31 December 2021, an amount of USD149,462 has been transferred to the statutory reserve (2020: USD165,094).

16 Other payables

	31 December 2021	31 December 2020
Provision for CEO end of service benefits	455,862	339,986
Advances from tenants	-	3,517
Provision for leave salary	48,570	-
Accruals and other payables	<u>30,833</u>	<u>79,932</u>
	<u>535,265</u>	<u>423,435</u>

17 Rental income

	Year ended 31 December 2021	Year ended 31 December 2020
Al Muhanned tower (unit 7)	44,688	62,975
Hooraa building 91700	26,525	68,966
Hooraa building 92072	26,525	68,966
Muhrraq building 350	6,631	-
Seef star building	-	288,210
	<u>104,369</u>	<u>489,117</u>

18 Write backs and write-offs of assets

	Year ended 31 December 2021	Year ended 31 December 2020
Write back of receivable from sale of investments to Gulf Monetary Group (GMG)	-	4,707,382
Write back of provision on other receivables from Gulf Monetary Group (GMG)	-	118,474
Write-off of deferred payment sale receivable to Gulf Monetary Group (GMG)	-	(780,649)
	<u>-</u>	<u>4,045,207</u>

In 2020, as per the agreement reached with GMG that is explained in full details under Note 22, the Group realized a net write back of previous provisions of USD4,045,207.

19 Other income

	Year ended 31 December 2021	Year ended 31 December 2020
Legal expenses recharged to a related party (Note 22)	-	246,855
Sale of written-off securities	3,306	-
Miscellaneous income	<u>7,216</u>	<u>18,944</u>
	<u>10,522</u>	<u>265,799</u>

20 Staff costs

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and related benefits - CEO	508,086	551,160
Salaries and related benefits - Staff	<u>74,267</u>	<u>58,473</u>
	<u>582,353</u>	<u>609,633</u>

21 General and administrative expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Consultancy and legal expenses	70,258	34,898
Professional fees	39,218	25,955
Rental expenses	30,851	2,483
Maintenance expenses	29,851	56,900
BOD meetings expenses and attendance fees	12,500	12,500
Office service and cleaning expenses	11,598	37,036
Electricity and municipality charges	6,475	36,164
Insurance expenses	5,069	7,094
Travel expenses	7,885	6,869
Shari'a Board fees	3,306	3,268
Communication expenses	3,280	3,280
Sundry expenses	13,368	16,301
	<u>233,659</u>	<u>242,748</u>

22 Balances and transactions with related parties

Related parties comprise major shareholders, directors of the Company, Shari'a Supervisory Board members, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Company.

Transactions with related parties are undertaken on terms agreed between the parties which may not necessarily be on arms-length bases.

A summary of related parties' balances as at 31 December 2021 and related parties' transactions for the year ended 31 December 2021 is as follows:

	31 December 2021		
	<u>Shareholders</u>	<u>Other related parties</u>	<u>Total</u>
<u>Assets</u>			
Equity investments			
International Holding Group	14,442,965	-	14,442,965
Grand Real Estate Projects Co.	-	4,101,865	4,101,865
Gulf Monetary Group (GMG)	6,780,163	-	6,780,163
Gulf Monetary Group (Managed portfolio)	191,345	-	191,345

22 Balances and transactions with related parties (continued)

	31 December 2021		
	<u>Shareholders</u>	<u>Other related parties</u>	<u>Total</u>
<u>Assets (continued)</u>			
Other receivables			
Gulf Monetary Group (GMG)	67,240	-	67,240
Projects Holding	41,415	-	41,415
Grand Real Estate Projects Co. (Net of provision USD7.64 million)	-	1,304	1,304
International Holding Group	3,306	-	3,306
Josor Capital (Net of provision USD0.41 million)	-	-	-
	31 December 2021		
	<u>Shareholders</u>	<u>Other related parties</u>	<u>Total</u>
<u>Liabilities</u>			
Other payables			
Accrued benefits and end-of-service for CEO	-	499,812	499,812
Accrued Shari'a supervisory board fees	-	1,653	1,653
	Year ended 31 December 2021		
	<u>Shareholders</u>	<u>Other related parties</u>	<u>Total</u>
<u>Income and gains/losses</u>			
Fair value gain on investment in International Holding Group (IHG) measured at FVTPL	2,039,198	-	2,039,198
Fair value loss on investment in Grand Real Estate Projects Co. measured at FVTPL	-	22,922	22,922
Gain on disposal of written-off securities		3,306	3,306
	Year ended 31 December 2021		
	<u>Shareholders</u>	<u>Other related parties</u>	<u>Total</u>
<u>Expenses</u>			
Salaries and related charges – CEO	-	508,086	508,086
BOD meeting expense and attendance fees	-	12,500	12,500
Shari'a supervisory fees	-	3,306	3,306

22 Balances and transactions with related parties (continued)

A summary of related parties' balances as at 31 December 2020 and related parties' transactions for the year ended 31 December 2020 is as follows:

	31 December 2020		
	<u>Shareholders</u>	<u>Other related parties</u>	<u>Total</u>
<u>Assets</u>			
Equity investments			
International Holding Group	12,403,767	-	12,403,767
Grand Real Estate Projects Co.	-	4,078,943	4,078,943
Gulf Monetary Group (GMG)	8,012,920	-	8,012,920
Gulf Monetary Group (Managed portfolio)	226,136	-	226,136
International Projects Consultancy Co. (Net of provision USD45,579)	-	-	-
Other receivables			
Gulf Monetary Group (GMG)	52,307	-	52,307
Grand Real Estate Projects Co. (Net of provision USD7.64 million)	-	1,208	1,208
Josor Capital (Net of provision USD0.41 million)	-	-	-
<u>Liabilities</u>			
Other payables			
Accrued benefits and end-of-service for CEO	-	339,986	339,986
Accrued Shari'a supervisory board fees	-	1,644	1,644
	Year ended 31 December 2020		
	<u>Shareholders</u>	<u>Other related parties</u>	<u>Total</u>
<u>Income and gains/losses</u>			
Write back of receivable from sale of investments to Gulf Monetary Group (GMG) (a)	4,707,382	-	4,707,382
Write-off of deferred payment sale receivable related to Gulf Monetary Group (GMG) (b)	(780,649)	-	(780,649)
Write back of provision on other receivables from Gulf Monetary Group (GMG) (c)	118,474	-	118,474
Previously incurred expenses charged to Gulf Monetary Group (GMG) (d)	246,855	-	246,855
Fair value gain on investment in International Holding Group (IHG) measured at FVTPL	611,548	-	611,548
Fair value loss on investment in Grand Real Estate Projects Co. measured at FVTPL	-	(14,330)	(14,330)

22 Balances and transactions with related parties (continued)**Income and gains/losses (continued)**

During the year ended 31 December 2020, the Group reached a settlement agreement with the related party, Gulf Monetary Group (GMG), to exchange various receivables and charges for 30,662,557 shares with a fair value of USD7,972,265. The details of the settlement agreement are as follows:

- The Group received 18,105,315 shares with a fair value of USD4,707,382 against receivable from sale of investments of USD5,974,754 which was previously fully provided for (Note 18).
- The Group received 11,152,130 shares with a fair value of USD2,899,554 against deferred payment sales receivables of USD3,680,203. This resulted in a write-off of USD780,649 (Note 18).
- The Group received 455,669 shares with a fair value of USD118,474 against the other receivables of USD150,371 that was previously fully provided for (Note 18).
- The Group received 949,443 shares with a fair value of USD246,855 against previous legal expenses of USD313,316 that is recharged to GMG (Note 19).

	Year ended 31 December 2020		
	Shareholders	Other related parties	Total
<u>Expenses</u>			
Salaries and related charges – CEO	-	551,160	551,160
BOD meeting expenses and attendance fees	-	12,500	12,500
Shari'a supervisory fees	-	3,268	3,268
		31 December 2021	31 December 2020

Off-balance sheet items

Investments in IHG on behalf of GMG

(Net of provision USD5.67 million)

(2020: Net of provision USD5.67 million) (a)

- -

GMG shares managed by the Group on

behalf of GMG, IHG and Investors Holding

9,375,927 11,080,640

Off-balance sheet investment accounts represents amounts received from related parties through transactions entered on behalf of them.

22 Balances and transactions with related parties (continued)

Off-balance sheet items (continued)

a) On the instructions of an off-balance sheet investment account holder, a related party, the Group has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Holding Group (IHG). The Group then entered into a deferred payment sale agreement with the off-balance sheet investment account holder for the sales of these shares. However, due to a legal dispute (Note 23), with the financial institution, the Group could not affect the transfer of IHG shares to the off-balance sheet investment account holder (Note 11). The Group's board of directors has resolved to write down the value of these shares to zero in the later part of 2013 due to the uncertain result from the legal case.

b) These represent Gulf Monetary Group (GMG) shares managed by the Group on behalf of Gulf Monetary Group (GMG), International Holding Group (IHG), and Investors Holding.

23 Legal cases

The Group is involved in various ongoing legal cases and the ultimate outcome of these cases is defined as favorable by the Group's lawyer. No adjustments required in these consolidated financial statements as of 31 December 2021.

24 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the consolidated statement of financial position include cash and cash equivalents, rent and other receivables, financial assets at FVTPL, financial assets at FVTOCI, deferred payment sales receivables, dividend receivables, due to a financial institution, Murabaha payable and other payables. The particular recognition method adopted is disclosed in the individual policy statements associated with each item.

The risk associated with financial assets and liabilities and the Group's approaches to managing such risks are described below:

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with a national bank with a good credit rating. Concentrations of credit risk with respect to rent and other receivables are limited due to the large number of tenants. Thus, credit risk is considered minimal by the Board of Directors.

Interest rate risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in market interest rates. The Group's short-term deposits and borrowings earn/bear the market rate of interest. The Group's other assets and liabilities are not sensitive to interest rate risk.

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 in Kuwaiti Dinar, Emirates Dirham and Bahraini Dinar. For Kuwaiti Dinar, the Group limits its currency rate risk by proactively monitoring the key factors that affect the foreign currency fluctuations. The Emirates Dirham and Bahraini Dinar pegged to the US Dollar. Thus, the currency rate risk is considered to be minimal.

24 Financial assets and liabilities and risk management (continued)

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available to meet all liabilities as they fall due.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts at the year-end.

The fair value of investment properties has been determined through an independent valuer using the market comparison approach (Level 2). Under the market comparison approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold.

The fair value of quoted shares has been obtained from primary and secondary markets (Level 1).

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 maximize shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2021 and 31 December 2020. The Group monitors capital on the basis of debt to equity ratio. This ratio is calculated as debt divided by equity. The debt to equity ratio at the end of the year has been as follows:

	31 December 2021	31 December 2020
Debt	<u>3,670,202</u>	<u>3,670,202</u>
Equity	<u>44,384,937</u>	<u>43,915,892</u>
Debt to equity ratio	<u>8.27%</u>	<u>8.36%</u>

25 VAT applicability

As at 31 December 2021, the Group is exempted from registering for VAT with the National Bureau for Revenue due to its nature of activities.

26 Subsequent events

There were no events subsequent and occurring before the date of the audit report that are expected to have a significant impact on these consolidated financial statements.