

**Alkffa Holding B.S.C. (c)**

**Financial statements for the  
year ended 31 December 2019**

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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  
5<sup>th</sup> Floor, Platinum Tower  
Al Seef Area  
PO Box 11674  
Manama  
Kingdom of Bahrain

Date: 5 April 2020



## Supervisory Board Report on the activities of Alkffa Holding B.S.C.(c)

### For the Financial year Ended on 31 December 2019

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) " Company",

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

The Sharia board of Alkffa Holding Company has reviewed the Company principles, contracts or agreements related transactions, and applications submitted by the company for the financial year ended on 31 December 2019, 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 Holding company 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 Holding Company and the management is responsible for ensuring that the company conducts its business in accordance with the Islamic Sharia, However, our responsibility is limited to form an independent opinion based on our review of the activities and operations conducted by Alkffa Holding company.

In our opinion:

The contracts, transactions and dealings entered into by the company during the financial year ended on 31 December 2019, that we have reviewed are in compliance with the Islamic Sharia rules and principles.

The calculation of zakat is in compliance with Islamic Sharia rules and principles.

The sharia board has also discussed with the representative of the company the financial statements for financial year ended on 31 December 2019, and the sharia board is satisfied that these statements are in compliance with the Islamic sharia.

This report has been prepared based on the information provided by the Company, the sharia board is satisfied that the company 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 Bin Essa. Executive Member

## BOARD OF DIRECTORS' REPORT

For the year ended December 31, 2019

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 financial statements of ALKFFA HOLDING B.S.C. (C) for the year ended December 31, 2019.

### 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 December 2, 1997. The legal status of the Company was changed to a closed Bahraini joint stock company on July 3, 2005. The Company was operating under an investment banking license (Wholesale Islamic Bank). In the Extraordinary General Assembly of shareholders held on September 22, 2016, it was resolved to surrender the banking license and to discontinue all the Company's banking operations. The banking license was cancelled effective January 31, 2017.

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

### Principal Activities

The principal activities of the Company include investment transactions, participating in equity investments in projects in conformity with the Islamic Sharia. The Company is carrying on the activities of holding companies.

The company focuses on generating liquidity through its real estate portfolio.

### Financial Position and Results

The detailed financial position of the Company at December 31, 2019 and the results for the year then ended are set out in the accompanying financial statements.

| Financial highlights    | 2019       | 2018       |
|-------------------------|------------|------------|
| Total assets            | 46,763,401 | 47,663,700 |
| Total equity            | 42,722,094 | 42,504,761 |
| Net profit for the year | 479,434    | 307,472    |

| Movement in retained earnings               | 2019     | 2018     |
|---------------------------------------------|----------|----------|
| Balance at January 1                        | 453,883  | 173,580  |
| Transition adjustment on adoption of IFRS 9 | -        | 3,578    |
| Net profit for the year                     | 479,434  | 307,472  |
| Transfer to statutory reserve               | (47,943) | (30,747) |
| Balance at December 31                      | 885,374  | 453,883  |

## BOARD OF DIRECTORS' REPORT (continued)

### Dividends

The Board of Directors has not made any appropriations for dividends for the year ended December 31, 2019 (December 31, 2018: nil).

### Board of Directors

The following are the directors of the company as at December 31, 2019:

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

### 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, to His Royal Highness Prince Khalifa bin Salman Al Khalifa, The Prime Minister of the Kingdom of Bahrain and His Royal Highness Prince Salman bin Hamad Al Khalifa, The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain, 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 Fahad Al Nafisi  
Chairman

5 April 2020

  
Mr. Majed Yousef Ahmed Al-Ali  
Vice Chairman & CEO

**Independent auditor's report to the shareholders of  
Alkffa Holding B.S.C. (c)****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Alkffa Holding B.S.C. (c) ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

**Emphasis of Matter**

As explained in Note 22, the Company is engaged in ongoing legal cases and the ultimate outcome of these cases cannot be determined. The Board of Directors of the Company believes the provisions made are enough to cover any potential unfavorable outcome.

**Other Matter**

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed unqualified opinion on those financial statements in their report dated 7 April 2019.

**Other Information**

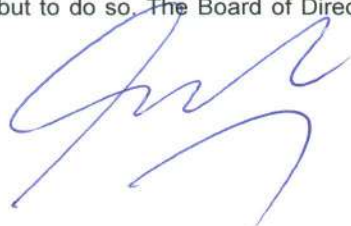
The Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Directors' report, set on pages 4 to 5, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements**

Board of Directors is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Company's financial reporting process.



**Independent auditor's report to the shareholders of  
Alkffa Holding B.S.C. (c) (continued)****Report on the Audit of the Financial Statements (continued)****Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Company'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's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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, 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 reported all suspicious or extraordinary transactions if any, conducted during the year ended 31 December 2019.

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

**Report on Other Legal and Regulatory Requirements**  
We report that

- a) As required by the commercial companies law:
- (1) The company has, maintained proper accounting record and the financial statements are in agreement therewith;
  - (2) The financial information contained in the Board of Directors' report is with the financial statements;
  - (3) Nothing has come to our attention which causes us to believe that the company has, during the year, breached any of the applicable provisions of the commercial companies law, or the items of its Articles of Association that would a material adverse effect on its businesses or its 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.

*Baker Tilly*

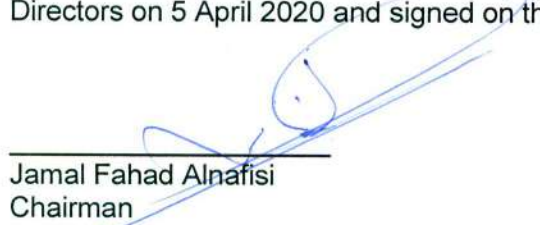
Manama, Kingdom of Bahrain  
5 April 2020  
Eyad Husain  
Registration Number 98

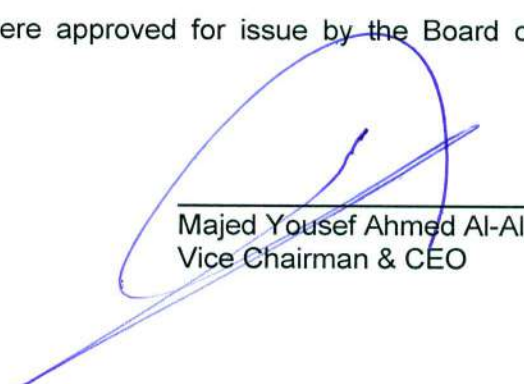


**Alkffa Holding B.S.C. (c)**  
**Statement of financial position as at 31 December 2019**  
**(Expressed in US Dollars)**

|                                         | <u>Notes</u> | <u>31 December<br/>2019</u> | <u>31 December<br/>2018</u> |
|-----------------------------------------|--------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                           |              |                             |                             |
| <b>Non-current assets</b>               |              |                             |                             |
| Furniture and fixtures                  | 5            | 4,009                       | 5,809                       |
| Investment properties                   | 6            | 22,610,290                  | 24,069,764                  |
| Financial assets at FVTOCI              | 7            | 3,163,006                   | 3,425,107                   |
| Dividend receivables                    | 9            | 887,733                     | 887,733                     |
| Deferred payment sales receivables      | 9            | <u>3,680,203</u>            | <u>3,680,203</u>            |
|                                         |              | <u>30,345,241</u>           | <u>32,068,616</u>           |
| <b>Current asset</b>                    |              |                             |                             |
| Financial assets at FVTPL               | 8            | 16,035,380                  | 14,994,025                  |
| Rent and other receivables              | 10           | 10,288                      | 88,730                      |
| Cash and cash equivalents               | 11           | <u>372,492</u>              | <u>512,329</u>              |
|                                         |              | <u>16,418,160</u>           | <u>15,595,084</u>           |
| <b>Total assets</b>                     |              | <u>46,763,401</u>           | <u>47,663,700</u>           |
| <b>EQUITY AND LIABILITIES</b>           |              |                             |                             |
| <b>Capital and reserves</b>             |              |                             |                             |
| Share capital                           | 12           | 40,000,000                  | 40,000,000                  |
| Statutory reserve                       | 13           | 1,306,117                   | 1,258,174                   |
| Fair value reserve                      |              | 530,603                     | 792,704                     |
| Retained earnings                       |              | <u>885,374</u>              | <u>453,883</u>              |
|                                         |              | <u>42,722,094</u>           | <u>42,504,761</u>           |
| <b>Non-current liabilities</b>          |              |                             |                             |
| Due to a financial institution          | 9            | 3,670,202                   | 3,670,202                   |
| Non-current portion of Murabaha payable | 14           | <u>-</u>                    | <u>871,847</u>              |
|                                         |              | <u>3,670,202</u>            | <u>4,542,049</u>            |
| <b>Current liabilities</b>              |              |                             |                             |
| Current portion of Murabaha payable     | 14           | -                           | 369,874                     |
| Other payables                          | 15           | <u>371,105</u>              | <u>247,016</u>              |
|                                         |              | <u>371,105</u>              | <u>616,890</u>              |
| <b>Total equity and liabilities</b>     |              | <u>46,763,401</u>           | <u>47,663,700</u>           |

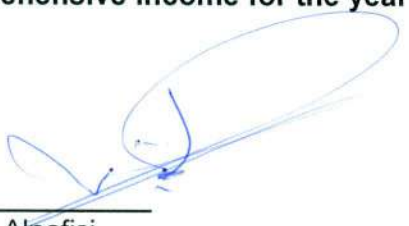
These financial statements, set out on pages 9 to 32, were approved for issue by the Board of Directors on 5 April 2020 and signed on their behalf by:

  
Jamal Fahad Alnafisi  
Chairman

  
Majed Yousef Ahmed Al-Ali  
Vice Chairman & CEO

**Alkffa Holding B.S.C. (c)**  
**Statement of comprehensive income for the year ended 31 December 2019**  
**(Expressed in US Dollars)**

|                                                | <u>Notes</u> | <u>Year ended<br/>31 December<br/>2019</u> | <u>Year ended<br/>31 December<br/>2018</u> |
|------------------------------------------------|--------------|--------------------------------------------|--------------------------------------------|
| Rental income                                  | 16           | 613,324                                    | 401,404                                    |
| Fair value gain on financial assets at FVTPL   | 8            | 1,041,355                                  | 2,866,413                                  |
| Fair value loss on investment properties       | 6            | (1,459,474)                                | (2,426,446)                                |
| Dividend income on financial assets at FVTPL   |              | 4,491                                      | 9,081                                      |
| Dividend income on financial assets at FVTOCI  |              | -                                          | 7,958                                      |
| Commodity Murabaha revenues                    |              | <u>4,485</u>                               | <u>6,665</u>                               |
|                                                |              | <u>204,181</u>                             | <u>865,075</u>                             |
| Write back of provision on other receivables   | 14,17,21     | 1,164,437                                  | -                                          |
| Provision for impaired rent receivables        | 10           | -                                          | (75,544)                                   |
| Murabaha payable write-off                     | 14,21        | -                                          | 322,906                                    |
| Foreign exchange loss                          |              | (3,189)                                    | (2,600)                                    |
| Other income                                   | 18           | <u>3,883</u>                               | <u>45,114</u>                              |
|                                                |              | <u>1,165,131</u>                           | <u>289,876</u>                             |
| <b>Total income</b>                            |              | <u>1,369,312</u>                           | <u>1,154,951</u>                           |
| <b>Expenses</b>                                |              |                                            |                                            |
| Depreciation                                   | 5            | (1,800)                                    | (4,648)                                    |
| Staff costs                                    | 19           | (559,205)                                  | (539,734)                                  |
| Directors' remuneration                        |              | -                                          | (16,500)                                   |
| General and administrative expenses            | 20           | <u>(328,873)</u>                           | <u>(286,597)</u>                           |
|                                                |              | <u>(889,878)</u>                           | <u>(847,479)</u>                           |
| <b>Net profit for the year</b>                 |              | <u>479,434</u>                             | <u>307,472</u>                             |
| <b>Other comprehensive income:</b>             |              |                                            |                                            |
| Fair value loss on financial assets at FVTOCI  | 7            | <u>(262,101)</u>                           | <u>(166,660)</u>                           |
| <b>Total comprehensive income for the year</b> |              | <u>217,333</u>                             | <u>140,812</u>                             |

  
Jamal Fahad Alnafisi  
Chairman

  
Majed Yousef Ahmed Al-Ali  
Vice Chairman & CEO

**Alkffa Holding B.S.C. (c)**
**Statement of changes in shareholders' equity for the year ended 31 December 2019**
**(Expressed in US Dollars)**

|                                            | <u>Share<br/>capital</u> | <u>Statutory<br/>reserve</u> | <u>Fair value<br/>reserve</u> | <u>Retained<br/>earnings</u> | <u>Total</u>      |
|--------------------------------------------|--------------------------|------------------------------|-------------------------------|------------------------------|-------------------|
| <b>At 31 December 2017</b>                 | 40,000,000               | 1,227,427                    | 962,942                       | 173,580                      | 42,363,949        |
| Effect of adoption of IFRS 9               | -                        | -                            | (3,578)                       | 3,578                        | -                 |
| Total comprehensive income<br>for the year | -                        | -                            | (166,660)                     | 307,472                      | 140,812           |
| Transfer to statutory reserve              | -                        | 30,747                       | -                             | (30,747)                     | -                 |
| <b>At 31 December 2018</b>                 | 40,000,000               | 1,258,174                    | 792,704                       | 453,883                      | 42,504,761        |
| Total comprehensive income<br>for the year | -                        | -                            | (262,101)                     | 479,434                      | 217,333           |
| Transfer to statutory reserve              | -                        | 47,943                       | -                             | (47,943)                     | -                 |
| <b>At 31 December 2019</b>                 | <u>40,000,000</u>        | <u>1,306,117</u>             | <u>530,603</u>                | <u>885,374</u>               | <u>42,722,094</u> |

**Alkffa Holding B.S.C. (c)**  
**Statement of cash flows for the year ended 31 December 2019**  
**(Expressed in US Dollars)**

|                                                   | Notes    | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|---------------------------------------------------|----------|-----------------------------------|-----------------------------------|
| <b>Operating activities</b>                       |          |                                   |                                   |
| Net profit for the year                           |          | 479,434                           | 307,472                           |
| Adjustments for:                                  |          |                                   |                                   |
| Depreciation                                      | 5        | 1,800                             | 4,648                             |
| Fair value gain on financial assets at FVTPL      | 8        | (1,041,355)                       | (2,866,413)                       |
| Fair value loss on investment properties          | 6        | 1,459,474                         | 2,426,446                         |
| Write-back of provision on other receivables      | 14,17,21 | (1,164,437)                       | -                                 |
| Murabaha payable written-off                      | 14,21    | -                                 | (322,906)                         |
| Provision for impaired rent receivables           | 10       | -                                 | 75,544                            |
| Commodity Murabaha revenues                       |          | (4,485)                           | (6,665)                           |
| Dividend income                                   |          | (4,491)                           | (17,039)                          |
| Changes in operating assets and liabilities:      |          |                                   |                                   |
| Rent and other receivables                        |          | 78,442                            | 221,306                           |
| Other payables                                    |          | 124,089                           | 127,942                           |
| Murabaha payable                                  |          | (77,284)                          | (1,664,436)                       |
| <b>Cash used in operating activities</b>          |          | <u>(148,813)</u>                  | <u>(1,714,101)</u>                |
| <b>Investing activities</b>                       |          |                                   |                                   |
| Commodity Murabaha revenues received              |          | 4,485                             | 6,665                             |
| Dividend received                                 |          | <u>4,491</u>                      | <u>17,039</u>                     |
| <b>Net cash provided by investing activities</b>  |          | <u>8,976</u>                      | <u>23,704</u>                     |
| <b>Net decrease in cash and cash equivalents</b>  |          | (139,837)                         | (1,690,397)                       |
| Cash and cash equivalents, beginning of the year  |          | <u>512,329</u>                    | <u>2,202,726</u>                  |
| <b>Cash and cash equivalents, end of the year</b> | 11       | <u><u>372,492</u></u>             | <u><u>512,329</u></u>             |
| <b>Non cash activities</b>                        |          |                                   |                                   |
| Murabaha payable                                  | 14,17,21 | <u>(1,164,437)</u>                | <u>-</u>                          |

## **1 Organization and activities**

Alkffa Holding B.S.C. (c) ("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 Basis of preparation**

### **Statement of compliance**

The 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**

#### **Statement of compliance**

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

The functional currency of the Company is United States Dollars.

The preparation of 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 Company's accounting policies.

### **Standards, interpretations and amendments to standards and interpretations effective for the first time during the year ended 31 December 2019**

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

## 2 Basis of preparation (continued)

### Standards, interpretations and amendments to standards and interpretations issued but not yet effective for the year ended 31 December 2019

The following issued but not yet effective standards, interpretations and amendments to standards and interpretations, have not been early adopted by the Company. There would have been no change in the operational results of the Company for the year ended 31 December 2019 had the Company early adopted any of the below standards, interpretations or amendments applicable to the Company. These standards, interpretations and amendments will be adopted by the Company at its accounting periods starting on or after the effective dates.

| <u>Standards, interpretations and amendments</u>                                                                                                                  | <u>Effective date</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 1 Definition of Material: Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors." | 1 January 2020        |
| 2 Definition of a Business: Amendments to IFRS 3 "Business Combinations"                                                                                          | 1 January 2020        |
| 3 IFRS 17 "Insurance Contracts"                                                                                                                                   | 1 January 2021        |
| 4 Classification of Liabilities as Current or Non-Current: Amendments to IAS 1 "Presentation of Financial Statements"                                             | 1 January 2022        |

## 3 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these 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.

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.

### 3 Significant accounting policies (continued)

#### Furniture and fixtures

All furniture and fixtures 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 furniture and fixtures 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 furniture and fixtures are determined by reference to their carrying amounts and are taken into account in determining net profit.

#### Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company'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 recognised at amortised cost:

- **Rent receivables**

Rent receivables without significant financing component (including rent receivables from related parties) are measured at undiscounted invoice price, as permitted by IFRS 9. A provision is made for impaired rent receivables without significant financing component (including rent receivables from related parties) based on the simplified approach, as required by IFRS 9, using individual and specific impairment assessment of the rent receivables to determine the lifetime expected credit losses.

### 3 Significant accounting policies (continued)

#### Financial assets (continued)

- **Rent receivables (continued)**

During this process, the probability of default of rent receivables is assessed individually for each customer based on historical credit default experience. This probability is then adjusted for forecasted future events and conditions to determine the life-time expected credit losses. rent receivables are written-off against the associated provision balance when the Company has no reasonable expectations of recovering the amounts.

- **Other receivables**

Other receivables are carried at their anticipated realizable values. A provision is made for impaired other receivables based on a forward looking expected credit loss model in which individual impairment assessment of all outstanding balances is conducted at the year-end and the expected impact of forecasted future events and conditions is considered. Expected credit losses recognized, if any, are life-time expected credit losses. Impaired other receivables are written-off when the Company has no reasonable expectations of recovering the amounts.

- **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, bank balances, and other short term highly liquid investments with original maturities of three months or less.

#### **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 amortised 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 recognised 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 recognised in the statement of profit or loss.

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

### 3 Significant accounting policies (continued)

#### Financial assets (continued)

##### 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.

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 Company's right to receive payments is established.

#### Financial liabilities

The Company 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 Company is financial liabilities at amortized cost which uses the following accounting policy.

##### Financial liabilities at amortized cost

These financial liabilities are initially recognised at fair value, net of directly attributable transaction costs, and are subsequently remeasured at amortised cost using the effective interest method. The Company's financial liabilities at amortized cost comprise the following:

- **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, these are stated at amortized cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings.

### **3 Significant accounting policies (continued)**

#### **Financial liabilities (continued)**

##### **Financial liabilities at amortized cost (continued)**

- **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 Company 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.

#### **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.

#### **Rental income**

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

### **4 Critical accounting judgments and key sources of estimation uncertainty**

Preparation of financial statements in accordance with IFRS requires the Company'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 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.

#### 4 Critical accounting judgments and key sources of estimation uncertainty (continued)

##### 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 Company 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.

To obtain a fair value, the Company 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 Company 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 Company that require fair value measurements as at 31 December 2019 and 31 December 2018 are disclosed in Note 22.

## **5 Furniture and fixtures**

Furniture and fixtures with a carrying value of USD4,009 (2018: USD5,809) comprise office furniture, office equipment, computer equipment, fixtures and motor vehicles.

The depreciation of the furniture and fixtures for the year ended 31 December 2019 is USD1,800 (2018:USD4,648).

## **6 Investment properties**

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

|                 | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|-----------------|-----------------------------------|-----------------------------------|
| At 1 January    | 24,069,764                        | 26,496,210                        |
| Fair value loss | (1,459,474)                       | (2,426,446)                       |
| At 31 December  | <u>22,610,290</u>                 | <u>24,069,764</u>                 |

The carrying value of each investment property as at the reporting date is as follows:

|                            | 31 December<br>2019 | 31 December<br>2018 |
|----------------------------|---------------------|---------------------|
| Al Muhanned tower (unit 7) | 1,238,938           | 1,364,194           |
| Burhama land               | 8,116,711           | 8,116,711           |
| Hoor building 91700        | 4,474,800           | 5,039,788           |
| Hoor building 92072        | 4,379,310           | 5,570,291           |
| Seef star building         | <u>4,400,531</u>    | <u>3,978,780</u>    |
|                            | <u>22,610,290</u>   | <u>24,069,764</u>   |

Fair value gain/(loss) recognized in profit or loss during the year ended 31 December 2019 and 31 December 2018 is as follow:

|                            | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|----------------------------|-----------------------------------|-----------------------------------|
| Al Muhanned tower (unit 7) | (125,256)                         | (78,965)                          |
| Burhama land               | -                                 | (954,907)                         |
| Hoor building 91700        | (564,988)                         | (1,458,886)                       |
| Hoor building 92072        | (1,190,981)                       | (928,383)                         |
| Seef star building         | <u>421,751</u>                    | <u>994,695</u>                    |
|                            | <u>(1,459,474)</u>                | <u>(2,426,446)</u>                |

Investment properties are measured at fair value using observable level 2 inputs obtained from an independent value details of those inputs are disclosed in Note 23.

## **7 Financial assets at FVTOCI**

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

|                                 | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|---------------------------------|-----------------------------------|-----------------------------------|
| At January                      | 3,425,107                         | -                                 |
| Transition adjustment of IFRS 9 | -                                 | 3,591,767                         |
| Fair value loss                 | (262,101)                         | (166,660)                         |
| At 31 December                  | <u>3,163,006</u>                  | <u>3,425,107</u>                  |

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

|                                                                           | 31 December<br>2019 | 31 December<br>2018 |
|---------------------------------------------------------------------------|---------------------|---------------------|
| Bahrain Islamic Bank, Bahrain                                             | 2,352,219           | 2,509,035           |
| Takaful International, Bahrain                                            | 695,399             | 656,765             |
| First Takaful Insurance Co., Kuwait                                       | 57,298              | 66,193              |
| Bahrain Family Leisure Co., Bahrain                                       | 58,090              | 64,456              |
| Dar Alsalam Takaful Insurance (Previously; Takaful International), Kuwait | -                   | 128,658             |
|                                                                           | <u>3,163,006</u>    | <u>3,425,107</u>    |

The shares of Bahrain Islamic Bank are under legal dispute and in custody of the Court (Note 9).

## **8 Financial assets at FVTPL**

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

|                                 | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|---------------------------------|-----------------------------------|-----------------------------------|
| At 1 January                    | 14,994,025                        | 2,784,642                         |
| Transition adjustment of IFRS 9 | -                                 | 9,342,970                         |
| Fair value gain                 | 1,041,355                         | 2,866,413                         |
| At 31 December                  | <u>16,035,380</u>                 | <u>14,994,025</u>                 |

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

|                                         | 31 December<br>2019 | 31 December<br>2018 |
|-----------------------------------------|---------------------|---------------------|
| Al Salam Bank, Bahrain                  | 128,277             | 123,939             |
| Khaleeji Commercial Bank, Bahrain       | 17,392              | 27,900              |
| GFH Financial Group, Bahrain            | 4,219               | 4,297               |
| International Investments Group, Kuwait | 11,792,219          | 11,115,646          |
| Grand Real Estate Projects Co., Kuwait  | <u>4,093,273</u>    | <u>3,722,243</u>    |
|                                         | <u>16,035,380</u>   | <u>14,994,025</u>   |

**9 Dividend receivables, Deferred payment sales receivables and Due to a financial institution**

On 7 March 2004 the Company entered into a sale and purchase agreement with a financial institution (ABC 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 Company 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 Company pledged certain equity investments along with subsequent dividend shares received with a carrying value as at 31 December 2019 amounted to USD2,352,219 (USD2,509,035 as at December 31, 2018) and dividend receivables up to 2006 totaling USD887,773 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 Company's pledged shares. The Company's Board of Directors considered that the agreement was wrongfully terminated and the pledged shares are unlawfully retained. The Company 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 a cheque in the amount of USD3,680,203 representing the amount due to the Company on the deferred sale of shares was drawn by that related party and deposited at the court.

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

**10 Rent and other receivables**

|                                             | 31 December<br>2019 | 31 December<br>2018 |
|---------------------------------------------|---------------------|---------------------|
| Rent receivables                            | 2,496               | 1,361               |
| Receivable against insured reparation costs | -                   | 79,576              |
| Prepayments and other receivables           | 7,792               | 7,793               |
|                                             | <u>10,288</u>       | <u>88,730</u>       |

Rent receivables are generally on 30 to 60 days credit payment terms.

Unimpaired rent receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over rent receivables and the vast majorities therefore are unsecured. The Company's rent receivables are mainly denominated in Bahrain Dinars.

During the year ended 31 December 2018, an amount of USD75,544 of the rent receivables have been fully provided for.

Receivable against insured reparation costs represent reparation costs incurred as a result of damages caused by a fire in one of the Company's buildings, which was collected from the insurer during the year ended 31 December 2019.

## **11 Cash and cash equivalents**

|                                    | 31 December<br>2019 | 31 December<br>2018 |
|------------------------------------|---------------------|---------------------|
| Cash on hand                       | 1,326               | 1,326               |
| Murabaha short-term deposits       | 292,556             | 266,010             |
| Current account balances with bank | <u>78,610</u>       | <u>244,993</u>      |
|                                    | <u>372,492</u>      | <u>512,329</u>      |

The current account balances are non-profit earning.

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

## **12 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 USD0.330 each.

The shareholding pattern as at 31 December 2019 and 31 December 2018 is as follows:

|                                | Number of<br>shares | Amount            | Percentage of<br>ownership<br>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>                            |

## **13 Statutory reserve**

In accordance with the provisions of the Bahrain Commercial Companies Law of 2001, as amended, an amount equivalent to 10% of the Company'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 2019, an amount of USD47,943 has been transferred to the statutory reserve (2018: USD30,747).

## **14 Murabaha payable**

In 2004, International Investment Group (IIG); a related party entered into a Murabaha financing agreement with a financial institution against the pledge of 18,840,341 equity shares, of which 8,352,705 owned by the Company with a carrying value at that time of USD5,760,487, and the remaining 10,487,636 shares were owned by the borrowing related party and another related party.

#### 14 Murabaha payable (continued)

In 2004, International Investment Group (IIG); a related party entered into a Murabaha financing agreement with a financial institution against the pledge of 18,840,341 equity shares, of which 8,352,705 owned by the company with a carrying value at that time of USD5,760,487, and the remaining 10,487,636 shares owned by the borrowing related party and another related party.

Also on 1 November 2004 the company obtained from the above related party a one year financing totalling USD3,229,064 including financing cost of USD134,295 by virtue of a Murabaha contract.

Following the default of the related party, the case was brought to court, which ruled in favour of the financial institution and ordered the settlement of the outstanding balance of BD2,236,191 (USD5,931,541) in addition to annual profit of 3% effective April 2011 and settlement of legal costs.

As no settlement was made by any of the parties that had pledge the shares in guarantee of the financing agreement as stated above, the court appointed in 2013 a broker to auction all the 18,840,341 pledge shares in one bulk. A number of unsuccessful auctions were held at varying starting prices.

In recognition of the company's liability, the board of directors had decided to write down to zero the value of its 8,352,705 pledge shares and had valued the remaining same shares (2,912,950 shares) in its portfolio at BD0.100 (USD0.2652) per share, being the lowest bidding price up to the 2014 year end. In April 2015, the 8,352,705 shares were liquidated at an auction price of BD0.100 per share and the amount was directly awarded to the party to whom the shares were pledge to with no gain or loss being recognized by the company.

On 20 January 2018, the board of directors resolved to accept an offer from the related party to settle the Murabaha payable at a 10% discount. Accordingly, the board of directors approved the following settlement plan to pay the discount balance amounting to USD2,906,158 as follows:

- 50% of the balance amounting to USD1,453,078 settled in January 2018;
- 50% of the remaining balance amounting to USD1,453,078 was approved to be paid over 55 monthly instalments (USD26,420.60 each) starting from March 2018.

On 30 December 2019, the Company entered into clearing and settlement agreement with International Investments Group (IIG) and Grand Real Estate Projects Co. to offset outstanding amount of Murabaha payable to IIG amounting to USD1,164,437 against receivable from Grand Real Estate Projects Co. amounting to KWD355,771 (USD1,164,437) (Note 17).

**Alkffa Holding B.S.C. (c)**  
**Notes to the financial statements for the year ended 31 December 2019**  
**(Expressed in US Dollars)**

**14 Murabaha payable (continued)**

The movement in the Murabaha payable was as follow:

|                                                 | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|-------------------------------------------------|-----------------------------------|-----------------------------------|
| At 1 January                                    | 1,241,721                         | 3,229,063                         |
| Discount received on Murabaha payable balance   | -                                 | (322,906)                         |
| Paid during the year                            | (77,284)                          | (1,664,436)                       |
| Settlements against other receivables (Note 17) | <u>(1,164,437)</u>                | <u>-</u>                          |
| At 31 December                                  | <u>-</u>                          | <u>1,241,721</u>                  |

**15 Other payables**

|                                           | 31 December<br>2019 | 31 December<br>2018 |
|-------------------------------------------|---------------------|---------------------|
| Provision for CEO end of service benefits | 170,930             | 85,300              |
| Advances from tenants                     | 40,305              | 24,114              |
| Provision for leave salary                | 47,058              | 49,533              |
| Accruals and other payables               | <u>112,812</u>      | <u>88,069</u>       |
|                                           | <u>371,105</u>      | <u>247,016</u>      |

**16 Rental income**

|                            | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|----------------------------|-----------------------------------|-----------------------------------|
| Al Muhanned tower (unit 7) | 105,854                           | 109,553                           |
| Hooraa building 91700      | 86,207                            | 74,271                            |
| Hooraa building 92072      | 147,215                           | -                                 |
| Seef star building         | <u>274,048</u>                    | <u>217,580</u>                    |
|                            | <u>613,324</u>                    | <u>401,404</u>                    |

**17 Write back of provision on other receivables**

|                                                                    | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|--------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Write-back from the settlement with Grand Real Estate Projects Co. | <u>1,164,437</u>                  | <u>-</u>                          |

## **17 Write back of provision on other receivables (continued)**

On 9 June 2016, the Company reached into an agreement with Grand Real Estate Projects Co. to settle all the receivables and payables to and from each other. Accordingly, both parties agreed on the following:

- Grand Real Estate Projects Co. will pay the Company an amount of KWD900,000;
- Grand Real Estate Projects Co. will pay 30% of the selling value of a property sold amounting to AED3,905,714 after deducting all collection fees, governmental fees, repair and maintenance and legal fees.
- Upon settling the above, the balances in both companies' record will be cleared to zero.

On 3 April 2017, the Company received only KWD300,000 (USD984,074) from the above Agreement.

On 30 December 2019, the Company entered into clearing and settlement agreement with International Investments Group (IIG) and Grand Real Estate Projects Co. to offset outstanding amount of Murabaha payable to IIG amounting to USD1,164,437 (Note 14) against receivable from Grand Real Estate Projects Co. amounting to KWD355,771 (USD1,164,437).

## **18 Other income**

|                                                          | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|----------------------------------------------------------|-----------------------------------|-----------------------------------|
| Amount awarded in a legal case filed against third party | -                                 | 45,034                            |
| Miscellaneous income                                     | <u>3,883</u>                      | <u>80</u>                         |
|                                                          | <u>3,883</u>                      | <u>45,114</u>                     |

## **19 Staff costs**

|                                       | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|---------------------------------------|-----------------------------------|-----------------------------------|
| Salaries and related benefits - CEO   | 485,246                           | 466,465                           |
| Salaries and related benefits - Staff | <u>73,959</u>                     | <u>73,269</u>                     |
|                                       | <u>559,205</u>                    | <u>539,734</u>                    |

## 20 General and administrative expenses

|                                           | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|-------------------------------------------|-----------------------------------|-----------------------------------|
| Consultancy and legal expenses            | 66,510                            | 42,155                            |
| Professional fees                         | 59,985                            | 63,926                            |
| Maintenance expenses                      | 58,214                            | 55,537                            |
| Electricity and municipality              | 52,172                            | 13,057                            |
| Office service and cleaning expenses      | 42,792                            | 43,923                            |
| BOD meetings expenses and attendance fees | 10,701                            | 17,891                            |
| Insurance expenses                        | 9,521                             | 15,542                            |
| Travel expenses                           | 6,474                             | 13,138                            |
| Shari'a Board fees                        | 4,938                             | 4,944                             |
| Communication expenses                    | 3,419                             | 3,650                             |
| Sundry expenses                           | 14,147                            | 12,834                            |
|                                           | <u>328,873</u>                    | <u>286,597</u>                    |

## 21 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 2019 and related parties' transactions for the year ended 31 December 2019 is as follows:

|                                                              | 31 December 2019 |                       |            |
|--------------------------------------------------------------|------------------|-----------------------|------------|
|                                                              | Shareholders     | Other related parties | Total      |
| <b>Assets</b>                                                |                  |                       |            |
| <b>Equity investments</b>                                    |                  |                       |            |
| International Investment Group                               | 11,792,219       | -                     | 11,792,219 |
| Grand real estate projects                                   | -                | 4,093,273             | 4,093,273  |
| Gulf Monetary Group (GMG)                                    | -                | -                     | -          |
| Managed portfolio (GMG shares)                               | -                | -                     | -          |
| International Projects Consultancy Co.                       | -                | -                     | -          |
| <b>Deferred payment sale receivable</b>                      |                  |                       |            |
| Gulf Monetary Group (GMG)                                    | 3,680,203        | -                     | 3,680,203  |
| <b>Receivable from sale of investments</b>                   |                  |                       |            |
| Gulf Monetary Group (GMG) (Net of provision USD5.97 million) | -                | -                     | -          |

21 Balances and transactions with related parties (continued)

|                                                                                    | <b>31 December 2019</b> |                              |              |
|------------------------------------------------------------------------------------|-------------------------|------------------------------|--------------|
|                                                                                    | <u>Shareholders</u>     | <u>Other related parties</u> | <u>Total</u> |
| <b><u>Assets (continued)</u></b>                                                   |                         |                              |              |
| <b>Other receivables</b>                                                           |                         |                              |              |
| Gulf Monetary Group (GMG) (Net of provision USD0.15 million)                       | -                       | -                            | -            |
| Grand Real Estate Projects Co. (Net of provision USD7.64 million)                  | -                       | -                            | -            |
| Josor Capital (Net of provision USD0.41 million)                                   | -                       | -                            | -            |
| <b><u>Liabilities</u></b>                                                          |                         |                              |              |
| <b>Other payables</b>                                                              |                         |                              |              |
| Accrued end-of-service indemnity of CEO                                            | -                       | 170,930                      | 170,930      |
| Accrued benefits for CEO                                                           | -                       | 58,023                       | 58,023       |
| Accrued Shari'a supervisory board fees                                             | -                       | 2,474                        | 2,474        |
| <b><u>Income and gains</u></b>                                                     |                         |                              |              |
| Written-back of provision on other receivables from Grand Real Estate Projects Co. |                         | 1,164,437                    | 1,164,437    |
| Fair value gain on investment in IIG measured at FVTPL                             | 676,573                 | -                            | 676,573      |
| Fair value gain on investment in Grand Real Estate Projects Co. measured at FVTPL  | -                       | 371,030                      | 371,030      |
| <b><u>Expenses</u></b>                                                             |                         |                              |              |
| Salaries and related charges - CEO                                                 | -                       | 485,246                      | 485,246      |
| BOD meeting expense and attendance fees                                            | -                       | 10,701                       | 10,701       |
| Shari'a supervisory fees                                                           | -                       | 4,938                        | 4,938        |

A summary of related parties' balances as at 31 December 2018 and related parties' transactions for the year ended 31 December 2018 is as follows:

|                                        | <b>31 December 2018</b> |                              |              |
|----------------------------------------|-------------------------|------------------------------|--------------|
|                                        | <u>Shareholders</u>     | <u>Other related parties</u> | <u>Total</u> |
| <b><u>Assets</u></b>                   |                         |                              |              |
| <b>Equity investments</b>              |                         |                              |              |
| International Investment group         | 11,115,646              | -                            | 11,115,646   |
| Grand Real Estate Projects Co.         | -                       | 3,722,243                    | 3,722,243    |
| Gulf Monetary Group (GMG)              | -                       | -                            | -            |
| Managed portfolio (GMG shares)         | -                       | -                            | -            |
| International Projects Consultancy Co. | -                       | -                            | -            |

21 Balances and transactions with related parties (continued)

|                                                                                   | 31 December 2018 |                       |           |
|-----------------------------------------------------------------------------------|------------------|-----------------------|-----------|
|                                                                                   | Shareholders     | Other related parties | Total     |
| <b><u>Assets (continued)</u></b>                                                  |                  |                       |           |
| <b>Deferred payment sale receivable</b>                                           |                  |                       |           |
| Gulf Monetary Group (GMG)                                                         | 3,680,203        | -                     | 3,680,203 |
| <b>Receivable from sale of investments</b>                                        |                  |                       |           |
| Gulf Monetary Group (GMG) (Net of provision USD5.97 million)                      | -                | -                     | -         |
| <b>Other receivables</b>                                                          |                  |                       |           |
| Gulf Monetary Group (GMG) (Net of provision USD0.15 million)                      | -                | -                     | -         |
| Grand Real Estate Projects Co. (Net of provision USD8.82 million)                 | -                | -                     | -         |
| Josor Capital (Net of provision USD0.41 million)                                  | -                | -                     | -         |
|                                                                                   | Shareholders     | Other related parties | Total     |
| <b><u>Liabilities</u></b>                                                         |                  |                       |           |
| <b>Murabaha payable</b>                                                           |                  |                       |           |
| International Investment Group                                                    | 1,241,721        | -                     | 1,241,721 |
| <b>Other payables</b>                                                             |                  |                       |           |
| Accrued end-of-service indemnity of CEO                                           | -                | 85,300                | 85,300    |
| Accrued benefits for CEO                                                          | -                | 49,533                | 49,533    |
| Accrued Shari'a supervisory board fees                                            | -                | 2,469                 | 2,469     |
| <b><u>Income and gains</u></b>                                                    |                  |                       |           |
| Write-off of Murabaha payable from IIG                                            | 322,906          | -                     | 322,906   |
| Fair value gain on investment in IIG measured at FVTPL                            | 1,772,676        | -                     | 1,772,676 |
| Fair value gain on investment in Grand Real Estate Projects Co. measured at FVTPL | -                | 1,122,243             | 1,122,243 |
| <b><u>Expenses</u></b>                                                            |                  |                       |           |
| Salaries and related charges - CEO                                                | -                | 466,465               | 466,465   |
| Director's remuneration                                                           | -                | 16,500                | 16,500    |
| Meetings expense                                                                  | -                | 17,891                | 17,891    |
| Shari'a supervisory fees                                                          | -                | 4,944                 | 4,944     |

## 21 Balances and transactions with related parties (continued)

| Off balance sheet items                                                                                                 |     | 31 December<br>2019 | 31 December<br>2018 |
|-------------------------------------------------------------------------------------------------------------------------|-----|---------------------|---------------------|
| <b>Off balance sheet items</b>                                                                                          |     |                     |                     |
| Investments in IIG on behalf of GMG<br>(Net of provision USD5.67 million)                                               | (a) | -                   | -                   |
| GMG shares managed by the Company on<br>behalf of OMG, IIG and Investors Holding<br>(Net of provision USD10.45 million) | (b) | -                   | -                   |

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

a) On the instructions of an off-balance-sheet investment account holder, a related party, the Company has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Investment Group (IIG). The Company 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 22), with the financial institution, the Company could not affect the transfer of IIG shares to the off-balance-sheet investment account holder (Note 9). The Company'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) The Company's board of directors has resolved to write down the value of these shares to zero based on the performance of these shares and lack of information to support the carrying value of these shares.

## 22 Legal cases

The Company is involved in ongoing legal cases and the ultimate outcome of these cases cannot be determined. The Board of Directors of the Company believes that the provisions made are adequate to cover any potential unfavorable outcome.

## 23 Financial assets and liabilities and risk management

**Financial assets and liabilities** carried on the 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 Company'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.

**23 Financial assets and liabilities and risk management**

**Interest rate risk** is the risk that the value of financial assets and liabilities will fluctuate due to changes in market interest rates. The Company's 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 Company's foreign currency transactions are in Kuwaiti Dinar, Emirates Dirham and Bahraini Dinar. For Kuwaiti Dinar, the Company 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.

**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 Company'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 Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholders' value.

The Company 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 2019 and 31 December 2018.

The Company 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<br>2019 | 31 December<br>2018 |
|----------------------|---------------------|---------------------|
| Debt                 | 3,670,202           | 4,911,923           |
| Equity               | 42,722,094          | 42,504,761          |
| Debt to equity ratio | 9%                  | 12%                 |

**24 VAT applicability**

As at 31 December 2019, the Company is exempted from registering for VAT with the National Bureau for Revenue due to its nature of activities.

**25 Subsequent events**

The Company is in the process of implementing the Code of the Corporate Governance and its requirements in accordance with the Decree Number 19 of 2018. The full implementation is expected to be completed before end of June 2020.

There were no other events subsequent to 31 December 2019 and occurring before the date of the audit report that are expected to have a significant impact on these financial statements.