ESTERAD INVESTMENT COMPANY BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

ESTERAD

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

CONTENTS

ESTERAD

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to share Esterad Annual Statement Reports for the financial year ended 2021. Despite the uncertain business environment, I am pleased to report to you on Esterad's positive performance in the year ended 2021.

Business confidence has improved in 2021 with the global rollout of vaccines against the coronavirus pandemic, but repeated waves of virus mutation bring in volatility and risks to the world economy. With massive fiscal stimulus and government support coupled with supply shortages and virus related regional lockdowns, asset prices have increased leading to inflation in the world economy. Governments are looking to reign inflation by increasing interest rates so that the world economy doesn't decelerate. Regionally, GCC markets had record performance in 2021 driven by the surge in crude oil prices. Given limited capex spending on crude oil in the near term, it is estimated that crude oil prices will be at levels which will sustain medium to high growth rates for the GCC economies, resulting in a much improved business sentiment regionally. During the year, Esterad focused on repositioning its strategy and existing non-core investments. Esterad Public Markets business performed as markets were buoyant and generated trading gains across its various investments.

During the year, Esterad focused on repositioning its strategy and existing non-core investments. Esterad Public Markets business performed as markets were buoyant and generated trading gains across its various investments.

PERFORMANCE

2021 results reflect Esterad focus of strengthening our business and increasing shareholder returns. Net Profit attributable to shareholders during the year was BD 1,707,221 as compared to BD 753,827 in 2020. Total comprehensive income attributable to shareholders increased to BD 1,074,532 from BD (801,770). Accordingly, Esterad earnings per share increased from 5.40 fils in 2020 to 12.24 fils in 2021.

During the year, Esterad started development work on our flagship real estate project – Amwaj Beachfront and has generated a very good response from the buyers given its unique location and being the only residential project in Bahrain with a private beachfront.

We have been able to exit long standing investment in Lefebvre Gulf Company, which brought a profitable return to the company and have secured positing in high yield hospitality real estate asset "Marriott Executive Apartments" in Bahrain. Esterad public markets investments generated sizeable gains from investing in regional IPOs and fixed income portfolios during the year. Esterad public markets investments generated sizeable gains from investing in regional IPOs and fixed income portfolios during the year.

Esterad balance sheet continues to be healthy and liquid, with ~50% of Esterad balance sheet being invested in liquid investments. Total assets increased from BD 46,878,306 in 2020 to BD 50,300,119 in 2021. Shareholder equity has increased from BD 33,863,044 to BD 34,240,946.

PROPOSED DIVIDENDS

Given the liquid balance sheet and strong operational performance during the year, the Board of Directors recommend to distribute 6% dividends for 2021.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to thank the wise leadership of the Kingdom of Bahrain which has guided us and implemented business friendly policies to sustain all through these challenging times. I also thank our shareholders for their sustained confidence in Esterad and to our valued employees who have contributed to a resilient operational performance. We look forward to 2022 being a transformative year for Esterad as we ramp up our growth manifold.

ESTERAD

CHAIRMAN'S STATEMENT *(continued)*

The table below that shows the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ended 31 December 2021.

First: Board of Directors' Remuneration Details:

Name	Fixed remunerations				
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total
Independent Directors					
1- Abdulrahman Jamsheer	3,000	8,250	-	-	11,250
2- Zayed Al Amin	3,000	6,500	-	-	9,500
3- Abdulla Jamsheer	3,000	6,250	-	-	9,250
4- Mazen Abdulkarimt	3,000	8,250	-	-	11,250
5- Faris Alkooheji	3,000	6,250	-	-	9,250
6- Razi Almerbati	3,000	5,000	-	-	8,000
Executive Directors					
1- Hesham Alrayes	3,000	7,000	-	-	10,000
2- Gabi El Hakimt	3,000	5,500	-	-	8,500
Total	**24,000**	**53,000**	**-**	**-**	**77,000**

Notes:
1. All amounts in Bahraini Dinars.
2. The Company does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.
3. Board remuneration represents payments made during the year 2021 based on approval of the Annual General Meeting dated 17 March 2021.
4. The Company does not have any non-executive directors.

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
*Remunerations for executives, including CEO and Senior Financial Officer	279,937	40,000	2,350	322,287

Notes:
1. All amounts in Bahraini Dinars.
2. * Senior Executive Management less than 6 persons.

Wishing everyone a blessed year ahead.

Hesham Alrayes
Chairman

8 February 2022

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Independent auditors' report

To the Shareholders of

Esterad Investment Company BSC
P.O. Box 1080, Seef
Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of Esterad Investment Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments

Refer to the accounting policy in note 3 H (i), 3 H (v) and note 24 for disclosures related to carrying value of investments and valuation techniques.

We focused on the below mentioned area because investments represent the principal element of the consolidated financial statements and operations of the Group.

The key audit matter	How the matter was addressed in our audit
A. Carrying value of quoted investments	
The Group's portfolio of listed equity and debt investments constitute 36.7% of the Group's total assets (by value) and is considered one of the key drivers of operations and performance. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant risk of judgment because they comprise liquid, quoted investments. However, due to their materiality in the context of the consolidated financial statements as a whole, they were one of the key audit areas we focused on.	Our audit procedures for quoted investments, amongst others, included: ▪ agreeing 100% of the investment securities in the portfolio to independently received third party confirmation or statement of accounts; ▪ agreeing the valuation of 100% of investments in the portfolio to externally quoted prices on the stock exchange; and ▪ assessing the adequacy of the Group's disclosure in relation to valuation of quoted investments by reference to the requirements of the relevant accounting standards.
B. Valuation of unquoted equity investments at fair value	
16.5% of the Group's total assets (by value) is held in equity investments where no quoted market price is available. The fair value for such investments are assessed using valuation techniques. The application of valuation techniques involves the exercise of judgment by the Group and the use of assumptions and estimates about the future performance of the investee company. Accordingly, this was a key area of audit focus.	With the assistance of our valuation specialists, our audit procedures for unquoted equity investments, amongst others, included: ▪ assessing the appropriateness of the valuation techniques used by comparing with observed industry practice; ▪ challenging key inputs and assumptions used in the valuations, such as, discount factors by using our knowledge of the industries in which the investees operate and industry norms; ▪ comparing the key underlying financial data inputs to external sources, investee company financial and management information as applicable; and ▪ assessing the adequacy of the Group's disclosures in relation to valuation of unquoted equity investments by reference to the requirements of the relevant accounting standards.

<table>
<tr><th colspan="2">Carrying value of development properties and investment properties</th></tr>
<tr><td colspan="2">Refer to the accounting policy in note 3 (J), 3 (K), note 6 and note 7 for disclosures related to development properties and investment properties.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Development properties represent 26.4% of the Group's total assets and represents a project under construction. Development properties are stated at the lower of cost and net realisable values. The Group engages external valuers to assess the expected fair value and net realisable values of these development properties. The assessment of net realisable values of these properties is a significant area and is underpinned by number of assumptions.

Investment properties represent 6.8% of the Group's total assets and represents properties under construction to be leased to an independent third party. Investment properties are stated at fair value. The Group engages external valuers to assess the expected fair value of these investment properties. The assessment of estimation of fair values of these properties is a significant area and is underpinned by number of assumptions.</td><td>Our audit procedures in this area included, amongst others:

▪ we evaluated the qualifications and competence of the external valuers and read the terms of their engagement letter to determine whether there were any matters that might have affected their objectivity or limited their scope of work;
▪ we involved our valuation specialist, who by reference to their knowledge of the industry and available historical data, challenged and reviewed the appropriateness of the valuation techniques and critical inputs such as expected sale prices on completion, cost to complete, occupancy rate and capitalisation rate. Where any component was out of our expected range, we undertook additional procedures including sensitivity analysis, to understand the effect on the assessed values and our carrying amounts in the consolidated financial statements;
▪ on a sample basis, performed audit procedures to assess whether the source data used for the valuation are reasonable by comparing it to the underlying supporting information to obtain insight into the calculation model used to determine the net realisable value; and
▪ based on the outcome of our evaluation, we assessed the adequacy of disclosures in the consolidated financial statements.</td></tr>
</table>

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's statement, which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we have obtained prior to the date of this auditors' report, 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

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

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

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 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 ISAs, we exercise professional judgement and maintain professional scepticism 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditors' report
Esterad Investment Company BSC (continued)

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Regulatory Requirements

1) As required by the Commercial Companies Law, we report that:
   a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
   b) the financial information contained in the Chairman's statement is consistent with the consolidated financial statements;
   c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
   d) satisfactory explanations and information have been provided to us by management in response to all our requests.

2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.

KPMG

KPMG Fakhro
Partner Registration Number 137
8 February 2022

ESTERAD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

Bahraini Dinars

	Note	**31 December 2021**	31 December 2020
Assets			
Cash and bank balances	4	4,514,212	8,396,601
Investment securities	5	26,756,174	20,707,890
Development properties	6	13,276,863	17,343,920
Investment properties	7	3,435,280	-
Other assets	8	2,317,590	429,895
Total assets		**50,300,119**	46,878,306
Liabilities			
Bank borrowings	11	8,607,219	5,619,340
Other liabilities	13	6,989,738	6,909,208
Total liabilities		**15,596,957**	12,528,548
Total net assets		**34,703,162**	34,349,758
Equity			
Shareholders' equity			
Share capital	14	14,000,000	14,000,000
Share premium		7,966,301	7,966,301
Treasury shares	14	(93,961)	(93,961)
Statutory reserve		7,453,885	7,556,291
General reserve		460,241	460,241
Hedging reserve		(49,439)	(246,619)
Retained earnings		4,503,919	4,220,791
Total equity attributable to shareholders of the Company		**34,240,946**	33,863,044
Non-controlling interest		462,216	486,714
Total equity		**34,703,162**	34,349,758

The consolidated financial statements were approved by the board of directors on 8 February 2022 and signed on its behalf by:

Hesham Alrayes
Chairman

Abdulrahman Jamsheer
Deputy Chairman

Ahmed Abdulrahman
Chief Executive Officer

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

ESTERAD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

Bahraini dinars

	Note	2021	2020
Investment income	16	2,422,732	1,956,729
Income on real estate assets	6	931,732	-
Other income		7,110	7,370
Total income		**3,361,574**	1,964,099
Operating expenses	17	1,250,802	1,053,470
Interest expense	18	406,627	157,715
Total expenses		**1,657,429**	1,211,185
Profit for the year		**1,704,145**	752,914
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Net changes in fair value of equity investments at fair value through other comprehensive income (FVTOCI)		(612,611)	(1,287,489)
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of debt securities at FVTOCI		221,581	692,199
Fair value gain on debt securities at FVTOCI reclassified to profit or loss on sale		(470,605)	(742,737)
Transfer to profit or loss on impairment of debt securities		31,766	29,049
Cash flow hedges – effective portion of changes in fair value		185,428	(246,619)
Cash flow hedges – reclassified to profit or loss		11,752	-
Total other comprehensive income		**(632,689)**	(1,555,597)
Total comprehensive income for the year		**1,071,456**	(802,683)
Profit/ (loss) for the year attributable to:			
Shareholders of the Company		1,707,221	753,827
Non-controlling interest		(3,076)	(913)
		1,704,145	752,914
Total comprehensive income attributable to:			
Shareholders of the Company		1,074,532	(801,770)
Non-controlling interest		(3,076)	(913)
		1,071,456	(802,683)
Basic and fully diluted earnings per 100 fils share	14	**12.24 fils**	5.40 fils

Hesham Alrayes
Chairman

Abdulrahman Jamsheer
Deputy Chairman

Ahmed Abdulrahman
Chief Executive Officer

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

ESTERAD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

Bahraini dinars

2021	Attributable to the shareholders of the Company								Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Hedging reserve	Retained earnings*	Total		
Balance as at 1 January 2021	14,000,000	7,966,301	(93,961)	7,556,291	460,241	(246,619)	4,220,791	33,863,044	486,714	34,349,758
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	1,707,221	1,707,221	(3,076)	1,704,145
Total other comprehensive income	-	-	-	-	-	197,180	(829,869)	(632,689)	-	(632,689)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**197,180**	**877,352**	**1,074,532**	**(3,076)**	**1,071,456**
Dividends declared for 2020 (note 12)	-	-	-	-	-	-	(697,521)	(697,521)	-	(697,521)
Loss of control of subsidiary (note 9)	-	-	-	(114,065)	-	-	114,956	891	(21,422)	(20,531)
Transfer to statutory reserve	-	-	-	11,659	-	-	(11,659)	-	-	-
At 31 December 2021	**14,000,000**	**7,966,301**	**(93,961)**	**7,453,885**	**460,241**	**(49,439)**	**4,503,919**	**34,240,946**	**462,216**	**34,703,162**

*Retained earnings include a net negative fair value reserve on FVTOCI equity instruments of BD 8,467,051 (31 December 2020: negative BD 7,854,441) that will not be reclassified to the profit or loss and a positive fair value reserve on FVTOCI debt securities of BD 443,615 (31 December 2020: positive BD 660,873) that will be reclassified to the profit or loss on disposal/ by maturity.

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020 *(continued)*

Bahraini dinars

2020	Attributable to the shareholders of the Company								Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Hedging reserve	Retained earnings*	Total		
Balance as at 1 January 2020	14,000,000	7,966,301	(93,961)	7,556,291	460,241	-	6,220,984	36,109,856	487,627	36,597,483
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	753,827	753,827	(913)	752,914
Total other comprehensive income	-	-	-	-	-	(246,619)	(1,308,978)	(1,555,597)	-	(1,555,597)
Total comprehensive income for the year	-	-	-	-	-	(246,619)	(555,151)	(801,770)	(913)	(802,683)
Dividends declared for 2019 (note 12)	-	-	-	-	-	-	(1,395,042)	(1,395,042)	-	(1,395,042)
Transfer for charities (note 12)	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
At 31 December 2020	14,000,000	7,966,301	(93,961)	7,556,291	460,241	(246,619)	4,220,791	33,863,044	486,714	34,349,758

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

ESTERAD

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

Bahraini dinars

	2021	2020
Operating activities		
Dividends received	358,852	284,309
Interest received	784,169	1,003,123
Sale of investment securities	15,604,340	17,383,102
Purchase of investment securities	(19,754,116)	(14,776,485)
Custody fees and investment related expenses paid	(13,994)	(11,966)
Deposit with bank	31,248	1,000,000
Purchase of development properties	(1,866,308)	-
Proceed on sale of real estate assets	942,500	843,883
Salaries and benefits paid	(841,489)	(675,419)
Payments for other operating expenses	(902,247)	(642,593)
Advance to minority shareholder	(245,822)	-
Rent received and other income, net of expenses paid	5,010	25,064
Pledged deposit	(297,375)	-
Donation payment	(45,108)	(140,733)
Net cash (used in)/ generated from operating activities	**(6,240,340)**	4,292,285
Investing activities		
Proceed from sale of equipment	2,100	200
Acquisition of equipment	(51,404)	-
Net cash (used in)/ generated from investing activities	**(49,304)**	200
Financing activities		
Borrowings availed, net	2,987,879	1,318,566
Interest paid	(176,721)	(275,534)
Dividends paid	(701,278)	(2,315,208)
Net cash generated from/ (used in) financing activities	**2,109,880**	(1,272,176)
Net (decrease)/ increase in cash and cash equivalents during the year	**(4,179,764)**	3,020,309
Cash and cash equivalents as at 1 January	8,401,903	5,381,594
Cash and cash equivalents at 31 December* (Note 4)	**4,222,139**	8,401,903

*Cash and cash equivalents at 31 December 2021 are gross of the expected credit loss of BD 5,302 (2020: BD 5,302).

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Esterad Investment Company BSC ('the Company') is a Bahraini public joint stock company, established in 1973 by Amiri Decree 9/1973 and its shares are listed in Bahrain Bourse. The Company was registered with the Ministry of Industry, Commerce and Tourism with registration no.1545-1. The principal activity of the Company is to invest in a wide ranging variety of investment assets in both local and international markets. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

2. BASIS OF PREPARATION

(i) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in conformity with the requirements of the Commercial Companies Law (as amended).

(ii) Basis of measurement
The consolidated financial statements are prepared using the going concern assumption and on the historical cost basis, except for the following:

- investments designed at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVTOCI) are measured at fair value;
- investment properties are measured at fair value; and
- derivative financial instruments are measured at fair value.

The consolidated statement of financial position is presented in order of liquidity and the items in the consolidated statement of comprehensive income is presented based on their nature.

(iii) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bahraini Dinars ("BD"), which is the Company's functional and presentation currency.

(iv) Use of estimates and judgements
In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about judgements and estimates made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- classification of investment securities: assessment of business model within which the assets are held (refer note 3 (H) (i));
- measurement of the fair value of equity securities on the basis of significant unobservable inputs (refer note 3 (H) (v)) and note 24);
- assessing net realisable value of development properties (refer to note 3 (J) and note 6); and
- measurement of fair value of investment properties (refer to note 3 (K) and note 7).

(v) New standards, issued and effective from 1 January 2021
The following standards, amendments and interpretations, which became effective as of 1 January 2021, are relevant to the Group:

2 BASIS OF PREPARATION (continued)

Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The amendments made to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases provide certain reliefs in relation to interest rate benchmark reforms. The amendments are effective for annual reporting periods beginning on or after 1 January 2021.

The Group has initially adopted Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

Specific policies applicable from 1 January 2021 for interest rate benchmark reform
The Phase 2 amendments provide practical relief from certain requirements in IFRS standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark if the following conditions are met:

- The change is necessary as a direct consequence of the reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes are to be made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will be updating the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group will apply the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Group applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Group is in the process of amending the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge are amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

2 BASIS OF PREPARATION (continued)

The details of the accounting policies are disclosed in note 3 (H) (viii). See also note 21 for related disclosures about risks, financial assets and financial liabilities indexed to LIBOR and hedge accounting.

(vi) New standards, amendments and interpretations issued but not yet effective
A number of new standards, amendments and interpretations to standards are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however; the Group has not early applied the following new standards, amendments and interpretations to standards in preparing these consolidated financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Group are not expected to have a significant impact on the Group's consolidated financial statements.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied by the Group to all periods presented in these consolidated financial statements.

(A) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences unit the date on which control ceases.

(ii) Non-controlling interest ("NCI")
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control – non-controlling interest
When Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated profit or loss. Any interest retained in former subsidiary is measured at fair value when control is lost.

(iv) Associate
Associates are those entities in which the Group has significant influence, but not control or joint, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

On initial recognition of investment in each associate, the Group makes an accounting policy election as to whether the associate shall be equity accounted or designated as an investment at fair value through profit or loss in the consolidated financial statements. The Group, being like a venture capital organisation investing in private equity investments, designates certain of its investments in associates, as allowed by IAS 28 'Investments in Associates', as 'investments carried at fair value through profit or loss. Currently there are no associates which are equity accounted and all associates are measured at fair value through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Transactions eliminated on consolidation
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with subsidiaries are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(B) Foreign currency

Transactions
Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities are translated into Bahraini Dinars at exchange rates ruling at the consolidated statement of financial position date. Transactions in foreign currencies during the year are converted at the rate ruling at that time. Foreign exchange gains and losses are generally recognised in the consolidated profit or loss and presented in 'investment income'.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income (OCI):
- an investment in equity securities designated as at FVTOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to consolidated profit or loss); and
- qualifying cash flow hedges to the extent that the hedges are effective.

Group entities
The other group entities presentation currency is the Bahraini Dinars and hence, the translation of financial statements of the group entities does not result in exchange differences.

(C) Interest income and expense
Interest income and expense are recognised in the consolidated profit or loss using the effective interest method. Interest bearing financial assets and liabilities except those classified as FVTPL are recognized using effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of financial asset or liability, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

The application of effective interest rate method has effect of recognising the interest income or expense evenly in proportion to the amount outstanding over the period to maturity or repayment.

(D) Rental income
Rental income from sub-leased properties is recognised according to the rent agreements entered between the Group and the tenants on an accrual basis over the lease term. Rental income is included as part of other income in the consolidated financial statements.

(E) Dividend income
Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(F) Cash and bank balances
Cash and bank balances are recorded at amortized cost in the consolidated financial statements less expected credit loss.

Cash and cash equivalents comprise of cash in hand and at bank and deposits maturing within 90 days, which are subject to insignificant risk of fluctuation in its realisable value.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(G) Trade receivables

Trade receivables are measured at the original invoice amount less any impairment allowances. Other receivables are stated at amortised cost less any impairment allowance.

(H) Financial instruments

Financial instruments in these consolidated financial statements include financial assets and financial liabilities. Financial assets mainly comprise of investment securities, cash and bank balances (including deposits) and other receivables and financial liabilities comprise borrowings, other payables and derivative financial instruments.

Investment securities comprise quoted and unquoted equity securities, quoted debt securities and structured notes.

(i) Classification

Financial assets

Financial assets are classified into one of the following three categories:

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

Financial liabilities

Financial liabilities are classified into one of the following two categories

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through the profit or loss (FVTPL).

(ii) Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets (other than trade receivables) are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition of the financial asset except transaction costs on financial instruments measured at FVTPL which are expensed in consolidated profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of quoted and/ or unquoted financial assets are recognised on the trade date. All regular way purchases and sales of other financial assets are recognized on the settlement date.

Financial liabilities

Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

(iii) Subsequent measurement

Financial assets

Subsequent to initial measurement, financial assets are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets are measured at amortised cost
Financial assets are measured at amortised cost using the effective interest rate method if:

(i) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
(ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the objective of the business model is to both hold to collect and sell debt instrument, it is classified at fair value through other comprehensive income.

If either of these two classification criteria is not met, the financial assets are classified and measured at fair value, either through the profit or loss (FVTPL) or through other comprehensive income (FVTOCI).

Additionally, even if a financial asset meets the amortised cost criteria, the entity may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Assessment of whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measured requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets.

(b) Financial assets at fair value through other comprehensive income (FVTOCI)
At initial recognition, the Group can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:

(i) it has been acquired principally for the purpose of selling in the near term;
(ii) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
(iii) it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

The irrevocable election is on an instrument-by-instrument basis. If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently recycled to consolidated profit or loss.

(c) Financial assets at fair value through profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL and changes therein, including any interest or dividend income, are recognized in the consolidated profit or loss.

Financial liabilities
All financial liabilities, other than those classified and measured as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest rate method.

Financial liabilities classified as financial liabilities at FVTPL includes derivatives.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Derecognition

Financial assets

Financial assets are derecognised and removed from the consolidated statement of financial position when the right to receive cash flows from the assets has expired; the Group has transferred its contractual right to receive the cash flows from the assets, and substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities are derecognised and removed from the consolidated statement of financial position when the obligation is discharged, cancelled, or expires. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses well recognized valuation techniques including discounted cash flows, price earing, multiples and recent market transactions. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision.

There is no certainty about future events (such as continued operating profits and financial strength). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in consolidated profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. If the bid-ask spread for a specific asset or liability is wide, then the Group uses the price within the bid-ask spread that is most representative of fair value in the circumstances.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) Impairment of financial assets
The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and debt securities measured at FVTOCI.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof and is charged to the consolidated profit or loss. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(vii)Offsetting financial assets and liabilities
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(viii) Derivative financial instruments and hedge accounting
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of a derivative is the equivalent to its prevailing market rates or is based on broker quotes. Derivatives with positive market values are disclosed as assets and derivatives with negative market values are disclosed as liabilities in the consolidated statement of financial position.

In certain circumstances the Group enters into derivative instruments to hedge foreign currency risks. Changes in the fair value of derivative financial instruments that are designated, and qualify as fair value hedges, are included in the statement of income together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk being hedged. Unrealised gains or losses on hedged assets which are attributable to the hedged risk are adjusted against the carrying values of the hedged assets or liabilities. For derivatives that are not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the consolidated statement of comprehensive income.

Hedges directly affected by interest rate benchmark reform
The Group has adopted the Phase 2 amendments and retrospectively applied them from 1 January 2021 (see note 2 (v)).

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform (as defined in note 2 (v)). For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group to amend the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group will be amending the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

Cash flow hedging
Cash flow hedging attributable to a particular associated with a recognised asset or liability or a highly probable forecast transaction that could affect consolidated profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging equity reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in consolidated profit or loss.

(l) Revenue from contracts with customers
The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The revenue is measured at the fair value of the consideration received or receivables as per the contract with a customer. Revenue is recognized over time based on contract costs incurred to date as a percentage of total forecast cost. The related costs of sales are also recognized in consolidated profit or loss when they are incurred and the net margin is recognised under 'Income on real estate assets'. Advances received are included in "contract assets/liabilities".

(J) Development properties

Development properties are properties held for sale or development and sale in the ordinary course of business. Development properties are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimates costs of completion and the estimated costs necessary to make the sale.

(K) Investment properties

Investment properties are properties held from rental income or capital appreciation or both. They are initially measured at the acquisition price and subsequently at fair value with any change therein recognised in consolidated profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated profit or loss.

(L) Equipment

Equipment held for operational purposes, are carried at cost less accumulated depreciation and impairment losses. The cost of additions and major improvements are capitalised.

Depreciation is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of items of equipment as follows:

Computer hardware	: 3 years
Vehicles and furniture	: 5 years
Right-of-use asset	: Over the lease period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date. When an item of property, plant and equipment is sold or discarded, the respective cost and accumulated depreciation relating thereto are eliminated from the consolidated statement of financial position, the resulting gain or loss being recognised in the consolidated profit or loss.

(M) Provision

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(N) Statutory reserve

In accordance with the Commercial Companies Law, 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital. This reserve is not normally distributable except on liquidation.

(O) General reserve

General reserve was appropriated from retained earnings and are available for distribution.

(P) Treasury shares

When share capital of the Company is repurchased, the amount of consideration paid is recognised as a change in equity. Repurchased shares classified as treasury shares are carried at cost and are presented as a deduction from equity. Gains/ losses on disposal of treasury shares are recognised in equity.

(Q) Segments

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from other segments.

The Group divides its business activities into strategic equity holdings portfolio, fixed income portfolio, trading portfolio and properties & other income producing portfolios and the revenue information of these components are reported to the Chief Operating Decision Maker (CODM).

However, expenses and results are reviewed at the Group level and therefore no operating segment disclosure is provided in these consolidated financial statements.

(R) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a “defined contribution scheme” in nature, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Group are recognised as an expense in consolidated profit or loss when they are due.

Expatriate employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at the reporting date. These benefits are in the nature of “defined benefit scheme” and any increase or decrease in the benefit obligation is recognised in the consolidated profit or loss.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(S) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is equal to the basic EPS as there are no dilutive potential ordinary shares.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(T) Government grant

The Group recognises unconditional government grant that compensates the Group for expenses incurred in consolidated profit or loss by netting the grant against the associated expenses. The grant or assistance is recognised when it becomes receivable.

4. CASH AND BANK BALANCES

	31 December 2021	31 December 2020
Cash and cash equivalents	4,222,139	8,401,903
Pledged deposit	297,375	-
Less: Allowance for expected credit losses	(5,302)	(5,302)
	4,514,212	8,396,601

The cash and bank balances disclosed above include restricted bank balance of BD 297,375 (2020: Nil) which are held as collateral for a credit facility from a local bank.

5. INVESTMENT SECURITIES

Investment securities comprise:

	31 December 2021	31 December 2020
At FVTOCI		
Quoted debt securities (5.1)	12,677,826	10,636,669
Quoted equity securities (5.1)	4,199,731	5,722,400
Unquoted equity securities	1,459,106	1,517,197
	18,336,663	17,876,266
At FVTPL		
Quoted equity securities	1,569,697	728,877
Unquoted equity securities (5.3 and 9)	6,000,000	1,711,053
Structured notes (5.2)	849,814	391,694
	8,419,511	2,831,624
	26,756,174	20,707,890

5.1 BD 4,199,731 (2020: BD 5,722,400) of equity securities at FVTOCI are pledged against overdraft facility with credit limit of BD 2,100,000 (2020: BD 2,350,000). Also, debt securities at FVTOCI are pledged against borrowings of BD 7,012,124 (2020: BD 5,619,340).

5.2 A structured note contains an embedded derivative component that adjusts the security's risk-return profile. The Company intends to hold the instrument to its maturity date. Dividends from structured notes are recognized when declared and received.

5.3 On 28 November 2021, the Group has entered into an agreement whereby the Group acquired 33.33% stake in Gulf Touristic Projects Co. WLL valued at BD 6,000,000 and exited its 38%.92 stake in Lefebvre Gulf BSC (c).

5 *INVESTMENT SECURITIES (continued)*

5.4 The Group has the following material associates which are designated at FVTPL (unquoted equity securities):

Name of the entity	**Principal place of business and country of incorporation**	**Principal activities**	**Percentage of holding**
Gulf Touristic Projects Co. WLL	Bahrain	Hospitality management	33.33%

The following table summarizes the financial information of material associates unadjusted for Group's share:

	2021
Non-current assets	16,408,875
Current assets	2,018,045
Non-current liabilities	(153,800)
Current liabilities	(321,574)
Net assets (100%)	**17,951,546**
Revenue	2,711,439
Profit for the year	278,258
Total other comprehensive income for the year	5,864,245
Total comprehensive income for the year	6,142,503
Carrying value	**6,000,000**

6. DEVELOPMENT PROPERTIES

Development properties represents a mixed-use development project built on land, with a total area of 33,291 square meters. The properties were acquired by the Company in a partly developed condition. The project, as it is designed currently, has four distinct components – 3 Residential Towers and Townhouses. The three residential towers on completion would include 618 units with 81,204 square meters saleable area and the Townhouses will include 94 units with 31,540 square meters of saleable area. The project will be developed over multiple phases. The first phase of development (52 town houses) and pre-sale has been commenced during the period involving development and sale of town houses. 34 town houses have been leased to a third party.

	2021	2020
At 1 January	17,343,920	-
Acquisition arising on consolidation of a subsidiary	-	17,300,000
Additions during the year	763,190	43,920
Cost of sales during the year	(2,099,167)	-
Gain on reclassification to investment properties	503,000	-
Reclassified to investment properties	(3,234,080)	-
At 31 December	**13,276,863**	17,343,920

6 DEVELOPMENT PROPERTIES (continued)

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and include the costs of:

- Purchase cost of acquired development properties;
- Amounts paid to contractors for construction including the cost of construction of infrastructure;
- Value added tax which are not recoverable;
- Salaries of the project manager; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

The net realisable value of the properties as at 31 December 2021 was assessed by management assuming the unit of account will be individual saleable units. Key observable inputs included expected market selling prices of similar completed units, cost to complete and cost of funding required for development completion. Any changes in these assumptions would result in the lower/ higher net realisable value of these assets. The net realisable value of the development properties as determined by an external real estate consultant as at the reporting date is higher than its carrying value. A downward change in the key assumptions by 5% does not lead to impairment provision on the carrying value of the development properties.

During the year, revenue of BD 2,326,699 has been recognised. The related costs of sales are also recognized in consolidated profit or loss when they are incurred and the net margin is recognised under 'Income from real estate assets'. Advances received are included in "contract assets/liabilities".

During the year, BD 704,200 was recognised as fair value gains on reclassification of units from development property to investment property on inception of an operating lease (note 7).

7. INVESTMENT PROPERTIES

Investment properties represents 34 townhouses which are under development with total area of 12,414 square meters and beachfront view. The Group has been able to lease these to an independent third party.

	2021
Reclassified from development properties (note 6)	3,234,080
Fair value gain	201,200
At 31 December	**3,435,280**

Investment properties are properties held for earning rental income or capital appreciation or both. They are initially measured at the acquisition price and subsequently at fair value with any change therein recognised in consolidated profit or loss. Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated profit or loss.

All reclassification from development properties to investment properties is done at its fair value at the date of transfer. Investment properties are under construction. Fair valuation of investment properties under construction is determined by an external third-party valuer using an income approach (Level 3 measure).

8. OTHER ASSETS

	31 December 2021	31 December 2020
Receivable from sale of real estate assets	1,384,199	-
Receivable from non-controlling interest	419,276	173,460
Accrued interest	211,059	169,582
Right-of-use asset and equipment	152,044	19,847
Advance for asset acquisition	104,150	-
Prepaid expenses	26,036	22,999
Staff loans	-	11,024
Other receivables	20,826	32,983
	2,317,590	429,895

9. SALE OF A SUBSIDIARY

The Group held 38.92% stake in Lefebvre Gulf BSC (c) (an FVTPL associate) through pass-through special purpose entity, Esterad Bahrain Invest II WLL. The Group held 98.14% and the balance take was held by staff and was reflected under non-controlling interest. During the year, the investment was sold resulting in a gain of BD 619,37. The investment and associated non-controlling interest have been derecognised. During the year the Group sold its stake of 98.14% in Esterad Bahrain Invest II WLL resulting in loss of control of the subsidiary.

Effect of sale on the consolidated financial position of the Group:

	2021
Net assets	1,712,481
Proportion of ownership interest held by the Group	98.14%
Group's share of net assets (A)	**1,680,629**
Consideration received (B)	**2,300,000**
Gain on sale of a subsidiary (B-A)	**619,371**

10. SIGNIFICANT SUBSIDIARIES

Set out below are the Group's principal subsidiaries at 31 December 2021. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly and indirectly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. Investments in subsidiaries mainly comprise special purpose vehicles which have been set-up to hold the strategic and private equity investments and assets of the Company. These entities are not engaged in any other activities. All subsidiaries are incorporated and have their principal place of business in Bahrain and use same reporting date as the Group.

Name of the entity	**Proportion of ownership interest held by the Group**	
	2021	2020
Esterad Bahrain Invest II WLL (note 9)	-	98.14%
Esterad RealInvest 1 WLL	100%	100%
Esterad Real Estate Holding WLL*	97.03%	97.03%
Labac UAE 1 WLL*	51.00%	51.00%
Esterad Amwaj Partnership Company	100%	100%
Esterad Amwaj CO WLL	100%	100%
Esterad Share Invest I WLL	100%	100%

10 *SIGNIFICANT SUBSIDIARIES (continued)*

*Shareholders in their general assembly meeting, resolved to wind up the Esterad Real Holding Company WLL and Labac UAE 1 WLL in August 2021.

The following table summarize the information relating to the Group's subsidiary, Labac UAE 1 WLL that has a material NCI, before any intra-group elimination:

	31 December 2021	31 December 2020
NCI percentage	**49%**	49%
Non-current assets	-	-
Current assets	905,293	908,694
Non-current liabilities	-	-
Current liabilities	(14,973)	(25,020)
Net assets	**890,320**	883,674
Net assets attributable to NCI	**436,257**	433,000

	2021	2020
Revenue	-	8,015
Loss	(5,831)	(1,712)
OCI	-	-
Total comprehensive income	**(5,831)**	(1,712)
Loss allocated to NCI	**(2,857)**	(839)
OCI allocated to NCI	**-**	**-**

11. BANK BORROWINGS

	31 December 2021	31 December 2020
Short-term borrowings	7,012,124	5,619,340
Bank overdraft	1,304,787	-
Long-term borrowings	290,308	-
	8,607,219	5,619,340

Short-term borrowings of BD 7,012,124 (2020: BD 5,619,340) are used for the purchase of debt securities and are secured against debt securities having fair value of BD 12,677,826 (2020: BD 10,639,842) as disclosed in note 5.

Bank overdraft of BD 1,304,787 (2020: Nil) are secured against quoted equity securities at FVTOCI having fair value of BD 4,199,731 (2020: BD 5,722,400) as disclosed in note 5.

Long-term borrowings of are used for development of properties and are secured as disclosed in note 4.

The borrowings have a contractual maturity of up to 7 years and are at various interest rates basis ranging from 0.33% to 5.75% (2020: 0.82% to 1.28%).

12. APPROPRIATIONS

The board of directors proposed a dividend of 6% (2020: 5%) of the paid-up capital (excluding treasury shares) for the year 2021. This amounts to BD 837,025 (2020: BD 697,521). On annual general meeting held on 17 March 2021, shareholders approved proposed dividend 5% of the paid-up capital (excluding treasury shares) amounting BD 697,521 (2020: BD 697,521) for 2020 and payment of charity donation of Nil (2020: BD 50,000).

13. OTHER LIABILITIES

	31 December 2021	31 December 2020
Payable for acquisition of subsidiary*	4,100,000	5,676,000
Payable for purchase of investment (refer 5.3)	1,508,720	-
Payable for additions to development properties	357,520	300,000
Accrued interest payable	295,482	30,877
Lease liability	135,159	13,132
Derivative financial liability	129,438	323,849
Other payables	463,419	565,350
	6,989,738	6,909,208

*Payable for acquisition of subsidiary (related to development properties) of BD 4,100,000 (2020: BD 5,676,000) which will be paid as instalments over three years from the reporting period and has an interest cost of 6.5% p.a.

14. SHARE CAPITAL

	31 December 2021		31 December 2020	
	Number	**Value**	Number	Value
Authorized: Shares of 100 fils each	200,000,000	20,000,000	200,000,000	20,000,000
Issued and fully paid: Shares of 100 fils each	140,000,000	14,000,000	140,000,000	14,000,000
Total treasury shares at cost	(495,847)	(93,961)	(495,847)	(93,961)
Net shares in public issue	**139,504,153**	**13,906,039**	139,504,153	13,906,039

	31 December 2021	31 December 2020
Stock exchange price per 100 fils share	145 fils	150 fils
Market capitalization of the Company	20,300,000	21,000,000
Basic earnings per 100 fils share	12.24	5.40

The earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of BD 1,707,221 (2020: BD 753,827) by the weighted average number of shares outstanding at the end of the year of 139,504,153 (2020: 139,504,153) excluding treasury shares.

14 SHARE CAPITAL (continued)

Additional information on shareholding pattern

(i) Names and nationalities of the major shareholders and the number of equity shares held through which they have an interest of 5% or more of outstanding shares.

	Nationality	No. of shares	% of holding
Manarat Investment Holding	Cayman Islands	29,682,057	21.20%
National Bank of Bahrain	Bahraini	16,331,219	11.67%

(ii) The distribution of ordinary shares ownership based on nationality of the shareholder is shown below:

	Number of shares	Number of shareholders	% of total outstanding shares
Bahraini	106,466,878	4,137	76.05%
Other GCC countries	3,239,217	54	2.31%
Others	30,293,905	18	21.64%
Total	**140,000,000**	**4,209**	**100%**

(iii) The Company has only one class of equity shares which carry equal voting rights.

(iv) Distribution of the directors' holdings:

Number of shares held	Between 0 and 99,999 shares	Between 100,000 and 499,999 shares	Between 500,000 and 2,000,000 shares	Above 2,000,000 shares
Number of directors	2	4	2	-

(v) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	80,944,971	4,202	57.82%
1% up to less than 5%	13,041,753	5	9.31%
5% up to less than 10%	-	-	-
10% up to less than 20%	16,331,219	1	11.67%
20% up to less than 30%	29,682,057	1	21.20%
Total	**140,000,000**	**4,209**	**100%**

* Expressed as a percentage of total outstanding shares of the Company.

15. EMPLOYEE BENEFITS

Bahraini employees are covered by the Social Insurance Organization pension scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contributions in respect of Bahraini employees for 2021 which represent a defined contribution scheme under International Accounting Standard 19 – Employee Benefits amounted to BD 43,706 (2020: BD 39,233).

Employees are entitled to leaving indemnities based on length of service and final salary paid in accordance with the policy of the Group. Provision for this commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits has been made by calculating the notional liability had all employees left at the statement of financial position date. At 31 December 2021, the Group employed 9 Bahrainis and 3 expatriates.

Movement in provision for employees' leaving indemnities is as below:

	2021	2020
At 1 January	231,795	179,319
Charge for the year	23,184	52,476
Paid during the year	(246,313)	-
At 31 December	**8,666**	231,795

16. INVESTMENT INCOME

	2021	2020
Income from equity securities		
Dividends received*	358,852	284,309
Fair value losses on quoted equity securities at FVTPL	(19,887)	93,188
Fair value losses on structured notes at FVTPL	(92,686)	(187,969)
Realised gain on quoted equity securities at FVTPL	297,295	288,852
Realised gain unquoted equity securities at FVTPL	619,371	-
Realised gain structured notes at FVTPL	-	701
	1,162,945	479,081
Income from debt securities		
Interest income	716,654	744,696
Gains on sale of debt securities	470,605	742,737
Expected credit loss	(31,766)	(29,049)
	1,155,493	1,458,384
Realised losses on derivative instruments	**(11,752)**	(88,250)
Other investment income		
Bank interest	66,310	124,944
Interest income on investments	66,691	38,006
Foreign exchange loss	(3,262)	(44,478)
	129,739	118,472
Custody fees	**(13,693)**	(10,958)
Total investment income	**2,422,732**	1,956,729

*Income from equity securities include dividends from investment designed at fair value through other comprehensive income amounting to BD 312,364 (2020: BD 6,549)

17. OPERATING EXPENSES

	2021	2020
Staff cost	785,777	654,356
Board remuneration and committees' fees	119,000	111,750
Office expenses	148,998	105,091
Professional and legal fees	83,082	95,668
Other expenses	113,945	86,605
	1,250,802	1,053,470

18. INTEREST EXPENSES

	2021	2020
Interest on payable for acquisition of subsidiary (note 13)	266,500	-
Interest on bank borrowings*	138,973	154,936
Interest on lease liability	1,154	2,779
	406,627	157,715

*Interest on bank borrowings is payable on monthly and quarterly basis with rates ranging from 0.33% to 5.75% (2020: 0.82% to 1.28%).

19. RELATED PARTIES

Transactions with key management personnel
Key management personnel of the Company include the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	2021	2020
Board remuneration	64,000	49,000
Board sitting fees	55,000	62,750
Remuneration to key management personnel	181,500	105,808

The Group has accrued board remuneration of BD 40,000 (2020: Nil) for the year ended 31 December 2021 which is subject to shareholders and regulatory authorities' approval. During the year, the Group paid BD 24,000 as board of directors' remuneration, divided equally among the members of the board of directors.

Transactions with shareholders and entities in which directors are interested
Transactions with shareholders, entities controlled by directors, or over which they exert significant influence, are conducted on terms as approved by the Board of Directors. There were no other significant transactions with entities where the directors were interested. Transactions during the year and balances as at the year-end are as follows:

19 RELATED PARTIES (continued)

Balances with related parties	**31 December 2021**	31 December 2020
Receivable from non-controlling interest	419,276	173,460
Payable to director and key management personnel	-	76,000

Transactions with related parties	**2021**	2020
Investment property income from an associate	-	7,290
Purchase of investment from director and key management personnel	-	76,000

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2021 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the Board.

20. DERIVATIVE INSTRUMENT HELD FOR RISK MANAGEMENT

Effective 1 January 2020, the has started Group using derivatives to manage its exposure to interest rate risks and these have been designated in hedging relationships. Until 2019, while economic hedge positions were maintained, however, hedge accounting was not followed. The fair values of derivatives instruments at 31 December is as follows:

Types of instruments	**31 December 2021**		31 December 2020	
	Notional amount	**Fair values**	Notional amount	Fair values
Interest rate swaps	3,430,700	(126,668)	3,807,700	(323,849)
	3,430,700	**(126,668)**	3,807,700	(323,849)

The positive fair values of the above derivatives are BD 2,770 (2020: Nil) and negative fair values are BD 129,438 (2020: BD 323,849).

Cash flow hedges

Interest rate swaps	**31 December 2021**		31 December 2020	
	Less than one year	**More than one year**	Less than one year	More than one year
Net exposure	3,430,700	(126,668)	3,807,700	(323,849)
Average fixed interest rate	1.76%	1.76%	1.74%	1.74%

Interest rate swaps	**31 December 2021**		31 December 2020	
	Change in fair value used for calculating hedge ineffectiveness	**Cash flow hedge reserve**	Change in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve
Variable rate instruments	-	(49,439)	-	(246,619)

20 DERIVATIVE INSTRUMENT HELD FOR RISK MANAGEMENT (continued)

During the current year, changes in value of the hedging instrument amounting to BD 185,428 (2020: BD (246,619)) was recognised in OCI and an amount of BD (11,752) (2020: BD (88,250)) was reclassified from hedging reserve to consolidated profit or loss during the year. BD nil was recognised as ineffectiveness in the consolidated profit or loss.

21. FINANCIAL RISK MANAGEMENT

Overview

Financial instruments of the Group include cash and bank balances, trade receivables, investment securities, other receivables, derivative financial instruments held for risk management, trade payables, accrued liabilities and unclaimed dividends of prior years.

Accounting policies for financial instruments are set out in note 3. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk. Further qualitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedure, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit which is outsourced to a professional firm. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss.

21 FINANCIAL RISK MANAGEMENT (continued)

Exposure to credit risk

The Group's maximum exposures to credit risk is as follows.

	31 December 2021	31 December 2020
Cash and bank balances	4,514,212	8,396,601
Debt securities	12,677,826	10,636,669
Other assets	2,035,360	387,051
	19,227,398	19,420,321

Debt securities

Credit risk also arises from the Group's investment activities particularly debt securities. Debt securities are either sovereign or sovereign backed and accordingly credit risk is limited.

The movement in the allowance for impairment (12-months ECL) for debt securities at FVTOCI during the year was as follows.

	2021	2020
At 1 January	61,605	32,556
Charge during the year	31,766	29,049
At 31 December	**93,371**	61,605

The following table presents an analysis of the credit quality of debt securities at FVTOCI. It indicates whether assets debt securities measured at FVTOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	31 December 2021	31 December 2020
A- to AA+	1,289,829	1,639,861
BB- to BB+	2,632,616	3,545,181
B- to B+	8,405,137	4,077,560
ECL allowance	(93,371)	(61,605)
Amortised cost	**12,234,211**	9,200,997
Carrying value	**12,677,826**	10,636,669

Receivables

The table below shows the Group's financial assets that are past due but not considered impaired:

	31 December 2021	31 December 2020
Not past due	2,014,509	385,769
Past due < 6 months	20,851	1,282
Past due > 6 months	-	-
	2,035,360	387,051

The management believes that no allowance for impairment is necessary in respect of receivables not past due.

21 FINANCIAL RISK MANAGEMENT (continued)

Cash and bank balances

Cash and bank balances are placed with banks with good credit ratings. Credit risk on cash and bank balances is considered to be limited due to the short-term nature and quality of the limited local customers which the Group deals with.

Expected credit losses on cash and bank balances has been measured on the 12-month ECL basis and reflects the short-term maturities of the exposures. The Group uses a similar approach for assessment of ECLs for cash and bank balances to that used for debt securities at fair value through OCI. The allowance as at 31 December 2021 for cash and bank balances was BD 5,302 (31 December 2020: 5,302).

Maturity of financial assets exposed to credit risk

The Group monitors concentrations of credit risk by maturity. An analysis of concentrations of credit risk at the reporting date is shown below:

31 December 2021	**Less than 1 year**	**1 – 5 years**	**5 - 10 years**	**Total**
Cash and bank balances	4,514,212	-	-	4,514,212
Debt securities	-	3,793,762	8,884,064	12,677,826
Other assets	2,035,360	-	-	2,035,360
Total	**6,549,572**	**3,793,762**	**8,884,064**	**19,227,398**

31 December 2020	Less than 1 year	1 – 5 years	5 - 10 years	Total
Cash and bank balances	8,396,601	-	-	8,396,601
Debt securities	-	3,750,943	6,885,726	10,636,669
Other assets	387,051	-	-	387,051
Total	8,783,652	3,750,943	6,885,726	19,420,321

Geographical concentration of financial assets

The Group also monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

31 December 2021	**Cash and bank balances**	**Debt securities**	**Other assets**	**Total**
Bahrain and other GCC countries	3,685,039	12,677,826	2,035,360	18,398,225
USA, EU and others	829,173	-	-	829,173
	4,514,212	**12,677,826**	**2,035,360**	**19,227,398**

31 December 2020	Cash and bank balances	Debt securities	Other assets	Total
Bahrain and other GCC countries	4,827,599	9,862,786	387,051	15,077,436
USA, EU and others	3,569,002	773,883	-	4,342,885
	8,396,601	10,636,669	387,051	19,420,321

21 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk
Liquidity risk is defined as the risk that the Group will not have funds available to meet its financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Residual contractual maturities of financial liabilities are presented below:

31 December 2021	**Carrying value**	**Gross nominal outflow**	**Less than 1 month**	**1 – 3 months**	**3 months to 1 year**	**Above 1 year**
Bank borrowings	8,607,219	8,683,394	8,328,351	-	-	355,043
Other liabilities	6,851,634	7,273,395	3,616,475	8,190	24,570	3,624,160
Total liabilities	**15,458,853**	**15,956,789**	**11,944,826**	**8,190**	**24,570**	**3,979,203**
Commitments	6,530,986	6,530,986	578,361	-	5,952,625	-
Total	**21,989,839**	**22,487,775**	**12,523,187**	**8,190**	**5,977,195**	**3,979,203**

31 December 2020	Carrying value	Gross nominal outflow	Less than 1 month	1 – 3 months	3 months to 1 year	Above 1 year
Bank borrowings	5,619,340	5,633,789	5,633,789	-	-	-
Other liabilities	6,664,281	7,340,281	2,264,281	-	1,266,500	3,809,500
Total liabilities	12,283,621	12,974,070	7,898,070	-	1,266,500	3,809,500
Commitments	582,234	582,234	-	582,234	-	-
Total	12,865,855	13,556,304	7,898,070	582,234	1,266,500	3,809,500

Market risk
Market risk is the risk that changes in market prices -e.g. interest rate, equity prices and foreign exchanges rates will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The Group is exposed to market risk with respect to its cash and bank balances, and investment debt securities. All such transactions are carried out within the guidelines set by the Investment Policies & Procedures.

The Group regularly assesses these risks and has established policies and business practices to protect against the adverse effects of market movement and other potential exposures.

Managing interest rate benchmark reform and associated risks

Overview
A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure at 31 December

21 *FINANCIAL RISK MANAGEMENT (continued)*

2020 was indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). There is broad support by regulators and industry bodies to replace LIBOR with an alternative known as Secured Overnight Financing Rate (SOFR) for USD LIBOR, which is expected to offer greater confidence and fewer risks. In addition, an incremental credit spread above SOFR would be applied as part of the ARR. Below are the recommended currency and tenor specific cessation dates for the LIBOR transition as recommended and accepted by the regulators:

- 31st December 2021, in the case of all Sterling (GBP), Euro, Swiss Franc, and Japanese Yen settings, as well as the 1 week and 2 months USD LIBOR settings; and
- 30th June 2023 in the case of the remaining USD LIBOR settings (Overnight, 1 month, 3 months, 6 months and 12 months).

Nevertheless, the Group is in the process of implementing appropriate fallback provisions for all US dollar LIBOR indexed exposures.

The Audit Committee monitors and manages the Group's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee reports to the Group's board of directors and collaborates with other business functions as needed.

Derivatives
The Group holds interest rate swaps for risk management purposes that are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to USD LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

Hedge accounting
The Group's hedged items and hedging instruments as at the reporting date are indexed to USD LIBOR and BOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual.

Total amounts of unreformed contracts, including those with an appropriate fallback clause
The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language at 1 January 2021 and at 31 December 2021. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

31 December 2021	**USD LIBOR**	
	Total amount of unreformed contracts	**Amount with appropriate fallback clause**
Financial liabilities		
Bank borrowings	-	4,437,214
Derivatives		
Interest rate swaps	-	3,430,700

As at 31 December 2021, the Group has bank borrowings of BD 2,009,410 indexed to Bank offering rate (BOR) which is a proprietary rate administered by the Bank.

21 FINANCIAL RISK MANAGEMENT (continued)

1 January 2021	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
Financial liabilities		
Bank borrowings	5,619,340	-
Derivatives		
Interest rate swaps	3,807,700	-

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily from its floating rate bank borrowings. The Group manages interest rate risk by constantly monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. The Group is exposed to interest rate risk on the following financial assets and liabilities:

	31 December 2021		31 December 2020	
	Carrying value (BD)	**Effective interest rates (%)**	Carrying value (BD)	Effective interest rates (%)
Assets				
Cash and bank balances	4,514,212	2.00%	8,396,601	2.00%
Debt securities	12,677,826	6.35%	10,636,669	6.44%
Liabilities				
Bank borrowings	8,607,219	1.63%	5,619,340	1.20%
Other liabilities	4,235,159	6.50%	5,600,000	6.50%

A change of 1% in interest rates would have increased/(decreased) equity and consolidated profit or loss by +/- BD 43,497 (2020: +/- BD 77,291). This analysis assumes that all other variables, in particular foreign currency rates remain constant.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from IBOR reform then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

Hedging relationships that are impacted by IBOR reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding IBOR transition."

Exposure to currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group had the following significant net exposures denominated in foreign currency as of 31 December:

	31 December 2021	31 December 2020
US Dollar	15,775,241	13,583,170
Kuwaiti Dinars	1,150,290	1,116,535
Other GCC Currencies (*)	638,489	521,824
Euros	124	101,409
Hong Kong Dollar	50,421	-
Sterling Pounds	4,591	4,640

(*) These currencies are pegged to the US Dollar.

21 FINANCIAL RISK MANAGEMENT (continued)

The Bahraini Dinar is effectively pegged to the Dollar; thus currency risks occur mainly in respect of other currencies. The Group normally uses forward exchange contracts to hedge a specific foreign currency risk. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Equity price risk – sensitivity

All of the Group's listed equity investments are listed on recognised regional and global stock exchanges. For such investments classified at FVTOCI, a 2% increase in the index at the reporting date would have increased equity by BD 83,995 (2020: BD 110,328); an equal change in the opposite direction would have decreased equity by BD 83,995 (2020: a decrease of BD 110,328). For such investments classified as at FVTPL, the impact of a 2% increase in the index at the reporting date on consolidated profit or loss would have been an increase of BD 33,476 (2020: BD 11,502). An equal change in the opposite direction would have decreased profit or loss by BD 33,476 (2020: BD 11,502).

22. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group's target is to achieve a return on shareholders' equity at a margin above the risk-free rate which is appropriate for the level of investment risk. In 2021 the total return was 4.99% (2020: 2.23%).

The Group does not have a defined share buy-back plan and treasury shares are purchased depending on favourable market prices. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group has net outstanding commitments to invest in managed funds amounting to BD 578,361 (31 December 2020: BD 582,234). Further, the Group has commitment to the contractor in consideration for the execution and completion of development properties amounting to BD 5,952,625 (31 December 2020: Nil).

24. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

24 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like listed equities and interest rate swaps that use only observable market data and require little management judgment and estimation. For complex models, the valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Audit Committee.

The table below analyses financial instruments, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized:

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment Securities				
FVTOCI				
Debt securities	12,677,826	-	-	12,677,826
Equity securities	-	4,199,731	1,459,106	5,658,837
FVTPL				
Equity securities	1,569,697	-	6,000,000	7,569,697
Structured notes	-	-	849,814	849,814
Derivative financial assets	-	2,770	-	2,770
	14,247,523	**4,202,501**	**8,308,920**	**26,758,944**
Derivative financial liabilities	-	129,438	-	**129,438**

31 December 2020	Level 1	Level 2	Level 3	Total
Investment Securities				
FVTOCI				
Debt securities	-	10,636,669	-	10,636,669
Equity securities	5,722,400	-	1,517,197	7,239,597
FVTPL				
Equity securities	728,877	-	1,711,053	2,439,930
Structured notes	-	-	391,694	391,694
	6,451,277	10,636,669	3,619,944	20,707,890
Derivative financial liabilities	-	323,849	-	323,849

24 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the year 2021. During the current year, due to changes in market conditions for certain investment securities, quoted prices in active markets and adequate trading volumes were no longer available for these securities at or closer to the measurement date. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities, with a carrying amount of BD 4,199,731 were transferred from Level 1 to Level 2 of the fair value hierarchy. Further, during the current year, due to changes in market conditions for certain investment securities, quoted prices in active markets and adequate trading volumes were available for these securities at or closer to the measurement date. Therefore, these securities, with a carrying amount of BD 12,677,826, were transferred from Level 2 to Level 1 of the fair value hierarchy.

Level 2 derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of the derivative is the equivalent to its prevailing market rates or is based on valuation quotes provided by the derivative counterparty.

The Group recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

The table below shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2021	2020
At 1 January	3,619,944	11,745,595
Total gains or losses:		
-in profit and loss	(92,686)	(148,328)
-in other comprehensive income	(58,091)	46,584
Sale/ distributions	(2,102,747)	(815,857)
Purchases	6,942,500	362,945
Become subsidiary	-	(8,330,000)
Transfer from level 2	-	759,005
At 31 December	**8,308,920**	3,619,944

24 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted equity investments at fair value	Latest transaction price	Not applicable	Not applicable
Structured note	Fair value of underlying reference portfolio adjusted for embedded derivatives that protect downside risk and cap upside potential over the period of the contract.	Credit risk of counterparty and volatility assumptions for time to maturity	Ability of the Company to hold the structure note to maturity and impact of the value of embedded derivatives (strike prices).
Interest rate swaps	*Swap models*: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable	Not applicable

24 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effect:

	31 December 2021		31 December 2020	
	Profit or loss	**OCI**	Profit or loss	OCI
WACC (1% increase)	-	-	(119,815)	-
Non-marketability factor (10% increase)	-	-	(213,882)	-
Net asset value (10% increase)	-	105,836	-	111,645
Latest transaction price (10% increase)	600,000	-	-	-
Early liquidation of structure note	(92,686)	-	(196,038)	-

	31 December 2021		31 December 2020	
	Profit or loss	**OCI**	Profit or loss	OCI
WACC (1% decrease)	-	-	137,986	-
Non-marketability factor (10% decrease)	-	-	213,882	-
Net asset value (10% decrease)	-	(105,836)	-	(111,645)
Latest transaction price (10% decrease)	(600,000)	-	-	-

Classification

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

31 December 2021	**At FVTPL**	**At FVTOCI**	**At amortised cost**	**Total carrying value**	**Fair value**
Cash and bank balances	-	-	4,514,212	4,514,212	4,514,212
Investment Securities					
- Equity securities	7,569,697	5,658,837	-	13,228,534	13,228,534
- Structured notes	849,814	-	-	849,814	849,814
- Debt securities	-	12,677,826	-	12,677,826	12,677,826
Derivative financial assets	2,770	-	-	2,770	2,770
Other assets	-	-	2,029,820	2,029,820	2,029,820
Total financial assets	**8,422,281**	**18,336,663**	**6,544,032**	**33,302,976**	
Borrowings	-	-	8,607,219	8,607,219	8,607,219
Derivative financial liabilities	129,438	-	-	129,438	129,438
Other liabilities	-	-	6,722,196	6,722,196	6,722,196
Total financial liabilities	**129,438**	**-**	**15,329,415**	**15,458,853**	

24 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

31 December 2020	At FVTPL	At FVTOCI	At amortised cost	Total carrying value	Fair value
Cash and bank balances	-	-	8,396,601	8,396,601	8,396,601
Investment securities					
- Equity securities	2,439,930	7,239,597	-	9,679,527	9,679,527
- Structured notes	391,694	-	-	391,694	391,694
- Debt securities	-	10,636,669	-	10,636,669	10,636,669
Other assets	-	-	387,051	387,051	387,051
Total financial assets	2,831,624	17,876,266	8,783,652	29,491,542	
Bank borrowings	-	-	5,619,340	5,619,340	5,619,340
Derivative financial liabilities	323,849	-	-	323,849	323,849
Other liabilities	-	-	6,340,432	6,340,432	6,340,432
Total financial liabilities	323,849	-	11,959,772	12,283,621	

The carrying values of cash and bank balances, other assets, borrowings and other liabilities are a reasonable approximation of fair value due to their short-term nature. Bank borrowings and liabilities in excess of 12 months within other liabilities are priced closer to market rates for similar instruments and hence the carrying value is assessed as being a reasonable approximation of the fair value.

25. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		Equity						
	Borrowings	Other liabilities	Share capital	Share premiums	Treasury shares	Reserve	Retained earning	Non-controlling interest	Total
At 1 January 2021	5,619,340	6,909,208	14,000,000	7,966,301	(93,961)	7,769,913	4,220,791	486,714	46,878,306
Additional borrowings, net	2,987,879	-	-	-	-	-	-	-	2,987,879
Interest paid	-	(176,721)	-	-	-	-	-	-	(176,721)
Dividends paid	-	(701,278)	-	-	-	-	-	-	(701,278)
Net cash generated from/ (used in) financing activities	**2,987,879**	**(877,999)**	**-**	**-**	**-**	**-**	**-**	**-**	**2,109,880**
Other changes:									
Interest expenses on borrowing and interest rate swap	-	441,326	-	-	-	-	-	-	441,326
Other changes – liabilities	-	517,203	-	-	-	-	-	-	517,203
Liability-related other changes	**-**	**958,529**	**-**	**-**	**-**	**-**	**-**	**-**	**958,529**
Equity-related other changes	**-**	**-**	**-**	**-**	**-**	**94,774**	**283,128**	**(24,498)**	**353,404**
At 31 December 2021	**8,607,219**	**6,989,738**	**14,000,000**	**7,966,301**	**(93,961)**	**7,864,687**	**4,503,919**	**462,216**	**50,300,119**

26. COVID-19 IMPACT

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally, which continued in 2021. COVID-19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. In particular, there were significant volatilities observed in the capital and commodities markets, that has a direct effect on the performance of the Group and its operating environment.

The management and board of directors has been closely monitoring the impact of the COVID-19 developments on the Group’s operations and consolidated financial position; including impact on asset valuations, impairment, review of onerous contracts etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans. Based on their assessment, the management and board of directors has concluded that the Group has the necessary resources to continue as a going concern for a period exceeding the next 12 months.

In preparing these consolidated financial statements, judgements made by management in applying the Group’s accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

The Government of Kingdom of Bahrain has announced various economic stimulus programmes (“Packages”) to support businesses in these challenging times. The Group received some benefits from these Packages during the period in the form of partial reimbursement of salaries of Bahraini employees. Staff cost for the year included in operating expenses are shown net of these grants from the government of BD 57,786 (2020: BD 117,782).

27. ACQUISITION OFFER

On 29 November 2021, the Company signed a non-binding letter of intent to acquire up to 100% stake in Venture Capital Bank BSC (c), subject to completion of satisfactory legal and financial due diligence and obtaining relevant regulatory and corporate approvals. As of date of approval of the consolidated financial statements, no transaction terms have been concluded as the parties continue to be in discussions and are in the process of completion of the required due diligence.

28. COMPARATIVES

Certain prior year amounts have been regrouped to conform to the presentation in the current year. Such regrouping did not affect previously reported comprehensive income for the year or total equity.

(The attached supplementary information does not form part of the consolidated financial statements)

Disclosure of financial impact of COVID-19

Further to the CBB letter dated 14 July 2020 (ref. OG/259/2020), Esterad Investment Company B.S.C discloses herewith additional information pertaining to the financial impact of COVID-19 on its consolidated financial statements.

On March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the world health organization (WHO) and has rapidly evolved globally, which continued in 2021. This has resulted in a global economic slowdown with an uncertainties in the economic environment, this includes disruption to capital market.

The pandemic has some financial impact on the Group with relation to specific revenue streams and expense item since beginning of the pandemic, however there is improvement compared to last year. The net profit of BD 1,704,145 compared to BD 752,914 in the previous year, representing an increase of 126%, total positive comprehensive income for the year 2021 of BD 1,071,456 compared to a negative total comprehensive income of BD 802,683 of last year and total income for the year 2021 was BD 3,361,574 compared to BD 1,964,099 for last year, representing an increase of 71%. During the year, the Group received BD 57,786 related to financial assistance (representing specified reimbursement of a portion of staff cost) from the Government of Bahrain as part of its COVID-19 measures and has been recognized in the consolidated profit or loss as a deduction from staff cost.

Our liquidity position is strong, and we have not noticed any material reduction in our cash balances.

This information has not been subject to a formal review by external auditors.