

ESTERAD INVESTMENT COMPANY BSC

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

**FOR THE SIX MONTHS ENDED
30 JUNE 2022**

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022

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Independent auditors' report on review of condensed consolidated interim financial information

To the Board of Directors

*Esterad Investment Company BSC
Kingdom of Bahrain*

Introduction

We have reviewed the accompanying 30 June 2022 condensed consolidated interim financial information of Esterad Investment Company BSC (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2022; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

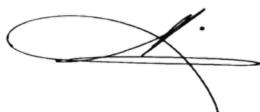
11 August 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

Bahraini Dinars

	Note	30 June 2022 (reviewed)	31 December 2021 (audited)
Assets			
Cash and bank balances		2,959,175	4,514,212
Investment securities	7	23,441,525	26,756,174
Development properties	8	13,787,176	13,276,863
Investment properties	9	5,748,690	3,435,280
Other assets	10	3,462,413	2,317,590
Total assets		49,398,979	50,300,119
Liabilities			
Bank borrowings		9,195,054	8,607,219
Other liabilities	11	6,531,625	6,989,738
Total liabilities		15,726,679	15,596,957
Total net assets		33,672,300	34,703,162
Equity			
Share capital		14,000,000	14,000,000
Share premium		7,966,301	7,966,301
Treasury shares		(93,961)	(93,961)
Statutory reserve		7,430,185	7,453,885
General reserve		460,241	460,241
Hedging reserve		236,611	(49,439)
Retained earnings		3,538,188	4,503,919
Total equity attributable to shareholders of the Company		33,537,565	34,240,946
Non-controlling interest		134,735	462,216
Total equity		33,672,300	34,703,162

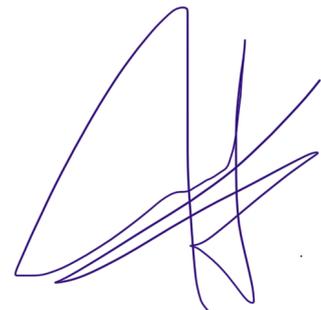
The condensed consolidated interim financial information was approved by the Board of Directors on 11 August 2022 and signed on its behalf by:



Hesham Alrayes
Chairman



Abdulrahman Jamsheer
Deputy Chairman



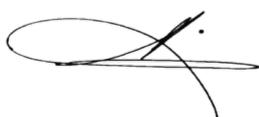
Ahmed Abdulrahman
Chief Executive Officer

The accompanying notes 1 to 21 are an integral part of this condensed consolidated financial interim information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2022

Bahraini Dinars

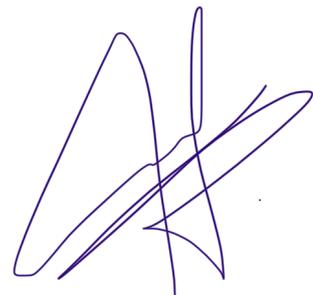
	Note	Six months ended		Three months ended	
		30 June 2022 (reviewed)	30 June 2021 (reviewed)	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Investment income	15	1,115,183	1,367,534	484,269	655,757
Income on development properties	8	186,348	162,523	149,780	162,523
Income on investment properties	9	476,579	-	363,404	-
Other income		-	7,110	-	7,110
Total income		1,778,110	1,537,167	997,453	825,390
General and administrative expenses		488,600	560,345	268,603	266,397
Interest expense		107,799	211,159	2,079	104,391
Total expenses		596,399	771,504	270,682	370,788
Profit for the period before fair value changes on FVTPL securities		1,181,711	765,663	726,771	454,602
Fair value losses/ (gains) on FVTPL securities, net		(617,440)	(32,808)	(412,624)	77,645
Profit for the period		564,271	732,855	314,147	532,247
Profit/ (loss) for the period attributable to:					
Shareholders of the Company		564,319	733,663	314,147	532,954
Non-controlling interest		(48)	(808)	-	(707)
		564,271	732,855	314,147	532,247
Basic earnings per 100 fils share		4.1 fils	5.3 fils	2.3 fils	3.8 fils



 Hesham Alrayes
 Chairman



 Abdulrahman Jamsheer
 Deputy Chairman



 Ahmed Abdulrahman
 Chief Executive Officer

The accompanying notes 1 to 21 are an integral part of this condensed consolidated financial interim information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2022

Bahraini Dinars

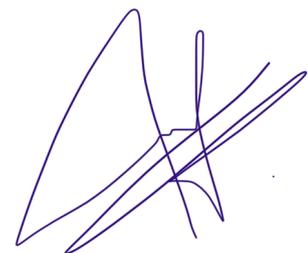
	Six months ended		Three months ended	
	30 June 2022 (reviewed)	30 June 2021 (reviewed)	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Profit for the period	564,271	732,855	314,147	532,247
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Net changes in fair value of equity investments classified as fair value through other comprehensive income (FVTOCI)	411,017	32,711	107,849	(79,037)
Items that are may be reclassified subsequently to profit or loss				
Net change in fair value of debt securities at FVTOCI	(1,004,958)	390,180	(657,555)	344,331
Fair value gain on debt securities at FVTOCI reclassified to profit or loss on sale	(63,320)	(466,208)	-	(295,087)
Transfer to profit or loss on impairment of debt securities	(70,177)	12,473	(53,266)	-
Cash flow hedges – effective portion of change in fair value	286,050	124,438	98,036	(37,576)
Cash flow hedges – reclassified to profit or loss	-	11,752	-	11,752
Total other comprehensive income for the period	(441,388)	105,346	(504,936)	(55,617)
Total comprehensive income for the period	122,883	838,201	(190,789)	476,630
Total comprehensive income for the period attributable to:				
Shareholders of the Company	122,931	839,009	(190,789)	477,337
Non-controlling interest	(48)	(808)	-	(707)
	122,883	838,201	(190,789)	476,630



 Hesham Alrayes
 Chairman



 Abdulrahman Jamsheer
 Deputy Chairman



 Ahmed Abdulrahman
 Chief Executive Officer

The accompanying notes 1 to 21 are an integral part of this condensed consolidated financial interim information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2022

Bahraini Dinars

2022 (reviewed)	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
At 1 January 2022	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
Comprehensive income for the period:										
Profit/ (loss) for the period	-	-	-	-	-	-	564,319	564,319	(48)	564,271
Total other comprehensive income	-	-	-	-	-	286,050	(727,438)	(441,388)	-	(441,388)
Total comprehensive income for the period	-	-	-	-	-	286,050	(163,119)	122,931	(48)	122,883
Dividends declared for 2021 (note 14)	-	-	-	-	-	-	(836,941)	(836,941)	-	(836,941)
Acquisition of subsidiary (note 10)	-	-	-	-	-	-	-	-	134,735	134,735
Loss of control of subsidiary (note 17)	-	-	-	(23,700)	-	-	34,329	10,629	(462,168)	(451,539)
At 30 June 2022	14,000,000	7,966,301	(93,961)	7,430,185	460,241	236,611	3,538,188	33,537,565	134,735	33,672,300

*Retained earnings include a net negative fair value reserve on FVTOCI equity instruments of negative BD 8,056,034 (31 December 2021: negative BD 8,467,051) that will not be reclassified to the profit or loss and a positive fair value reserve on FVTOCI debt securities of negative BD 405,922 (31 December 2021: positive BD 443,615) that will be reclassified to the profit or loss on disposal.

The accompanying notes 1 to 21 are an integral part of this condensed consolidated financial interim information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2022 (continued)

Bahraini Dinars

2021 (reviewed)

	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
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 period:										
Profit for the period	-	-	-	-	-	-	733,663	733,663	(808)	732,855
Total other comprehensive income	-	-	-	-	-	136,190	(30,844)	105,346	-	105,346
Total comprehensive income for the period	-	-	-	-	-	136,190	702,819	839,009	(808)	838,201
Dividends declared for 2020	-	-	-	-	-	-	(697,521)	(697,521)	-	(697,521)
At 30 June 2021	14,000,000	7,966,301	(93,961)	7,556,291	460,241	(110,429)	4,226,089	34,004,532	485,906	34,490,438

The accompanying notes 1 to 21 are an integral part of this condensed consolidated financial interim information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2022

Bahraini Dinars

	Six months ended 30 June 2022 (reviewed)	Six months ended 30 June 2021 (reviewed)
Operating activities		
Dividends received	419,099	336,569
Interest received	421,276	387,042
Proceeds from sale of equity securities	3,363,294	3,712,554
Purchase of equity securities	(3,092,437)	(4,614,861)
Purchase of debt securities	(68,614)	(5,117,418)
Proceed from debt securities	1,969,402	5,075,225
Purchase of development properties	(1,266,500)	(1,576,000)
Proceed on sale of development properties	42,630	942,500
Payment for additions to development properties	(2,250,397)	(177,801)
Pledged deposit	197,375	-
Custody fees and investment related expenses paid	(2,979)	(3,139)
Salaries and benefits paid	(375,255)	(349,861)
Payments for general and administrative expenses	(275,209)	(251,748)
Advance to minority shareholder	-	(245,822)
Charitable donation	(20,956)	(27,737)
Net cash used in operating activities	(939,271)	(1,910,497)
Investing activities		
Proceed from sale of equipment	-	2,100
Acquisition of equipment	(40,086)	(15,953)
Net cash used in investing activities	(40,086)	(13,853)
Financing activities		
Funds borrowed, net	587,835	203,580
Interest paid	(129,199)	(79,919)
Dividends paid	(836,941)	(700,081)
Net cash used in financing activities	(378,305)	(576,420)
Net decrease in cash and cash equivalents during the period	(1,357,662)	(2,500,770)
Cash and cash equivalents as at 1 January	4,222,139	8,401,903
Cash and cash equivalents at 30 June*	2,864,477	5,901,133
Cash and bank balances in the condensed consolidated statement of financial position	2,959,175	5,895,831
Less: Pledged deposit	(100,000)	-
Add: Expected credit loss	5,302	5,302
Cash and cash equivalents in the condensed consolidated statement of cash flows	2,864,477	5,901,133

The accompanying notes 1 to 21 are an integral part of this condensed consolidated financial interim information.

1. Reporting entity

Esterad Investment Company BSC (the “Company”) registered under CR No. 1545-1 dated 2 March 1974 is a Bahraini public joint stock company, established in 1973 by Amiri Decree 9/1973 and the shares are listed in Bahrain Bourse. The principal activity of the Company is to invest in a wide-ranging variety of investment assets in both local and international markets. These condensed consolidated interim financial information comprise the Company and its subsidiaries (together the “Group”).

Significant subsidiaries

The Company has a 100% interest in Esterad Amwaj Partnership, whose results have been consolidated in these condensed consolidated interim financial information. The subsidiary is primarily involved in development in the real estate sector.

2. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting), which allows the condensed consolidated interim financial information to be prepared in condensed form. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2021. There are some amendments to existing standards, which are effective from 1 January 2022, but these do not have a significant impact on the Group’s condensed consolidated interim financial information. The Group did not early adopt any new standards during the period.

3. Accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2022 have been prepared using the same accounting policies and methods of computation used by the Group in its audited consolidated financial statements for the year ended 31 December 2021.

4. The condensed consolidated interim financial information is reviewed, not audited. The corresponding figures for the condensed consolidated statement of financial position have been extracted from the Group’s audited consolidated financial statements for the year ended 31 December 2021 and the corresponding figures for the condensed consolidated statements of comprehensive income, changes in equity and cash flows have been extracted from the Group’s 30 June 2021 reviewed condensed consolidated interim financial information.

5. Estimate and judgement

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial information, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021 except for change in estimated cost of completion on properties (refer note 8 and 9).

6. Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the Group’s audited consolidated financial statements for the year ended 31 December 2021.

7. Investment securities

Investment securities comprise:

	30 June 2022 (reviewed)	31 December 2021 (audited)
At FVTOCI		
Quoted debt securities (note 7.1)	9,686,253	12,677,826
Quoted equity securities (note 7.1)	4,529,595	4,199,731
Unquoted equity securities	1,406,082	1,459,106
	15,621,930	18,336,663
At FVTPL		
Quoted equity securities	1,332,999	1,569,697
Unquoted equity securities	6,000,000	6,000,000
Quoted debt securities	214,066	
Structured notes (note 7.2)	272,530	849,814
	7,819,595	8,419,511
	23,441,525	26,756,174

7.1 BD 4,529,595 (31 December 2021: 4,199,731) of equity securities at FVTOCI are pledged against overdraft facility with credit limit of BD 2,500,000 (31 December 2021: BD 2,100,000). Also, debt securities at FVTOCI are pledged against borrowings of BD 5,695,054 (31 December 2021: BD 7,012,124).

7.2 A structured note contains an embedded derivative component that adjusts the security's risk-return profile. The Group intends to hold the instrument to its maturity date and has considered this in its assessment of fair value of such instruments.

8. Development properties

Development property 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 townhouses) and pre-sale has been commenced during the period involving development and sale of 18 townhouses. The balance 34 townhouses shall be developed to operate under a lease with a third party.

	2022 (reviewed)	2021 (audited)
At beginning of the period	13,276,863	17,343,920
Additions during the period (note 8.1)	1,030,284	763,190
Transfer to cost of sales during the period (note 8.2 and 8.3)	(519,971)	(2,099,167)
Gain on reclassification to investment properties	-	503,000
Reclassified to investment properties	-	(3,234,080)
At end of the period	13,787,176	13,276,863

8.1 Additions during the period include capitalisation of directly attributable borrowing costs of BD 147,623 (2021: BD 48,086).

8. Development properties (continued)

8.2 During the period, revenue of BD 706,319 (2021: BD 1,661,928) has been recognised. The related costs of sales are also recognized in profit or loss when they are incurred and the net margin is recognised under 'Income on development properties'. Advances received are included in "contract assets/liabilities".

8.3 During the period, a change in estimate of cost of completion and allocation of cost to saleable units resulted in reduction in cost of sales by BD 117,277.

8.4 Development properties are pledged against credit facility from a local bank with credit limit of BD 3,500,000.

9. Investment properties

Investment properties represents 34 townhouses which are under development with total area of 12,414 square meters and beachfront view. The units will operate under a lease arrangement with an independent third party.

	2022 (reviewed)	2021 (audited)
At beginning of the period	3,435,280	-
Reclassified from development properties (note 8)	-	3,234,080
Additions during the period (note 9.1)	1,836,831	-
Fair value gain (note 9.2)	476,579	201,200
At end of the period	5,748,690	3,435,280

9.1 Additions during the period include capitalisation of directly attributable borrowing costs of BD 36,412 (2021: Nil).

9.2 During the period, a change in estimate of cost of completion resulted in increase in fair value gain by BD 262,804.

9.3 Investment properties are pledged against credit facility from a local bank with credit limit of BD 3,500,000.

10. Other assets

	30 June 2022 (reviewed)	31 December 2021 (audited)
Receivable from sale of real estate assets	2,089,110	1,384,199
Receivable from non-controlling interest	-	419,276
Advance for asset acquisition	377,000	104,150
Education assets (note 10.1)	346,030	-
Right-of-use asset and equipment	209,757	152,044
Accrued interest	176,469	211,059
Derivative financial assets	159,382	2,770
Dividend receivable	70,000	-
Prepaid expenses	22,230	26,036
Other receivables	12,435	18,056
	3,462,413	2,317,590

10. Other assets (continued)

10.1 On 28 June 2022, the Group acquired 61.0626% of the shares and voting interests in Madeleine Pre School, granting it control of Madeleine Pre School for a consideration of BD 181,295.

Education assets of BD 346,030 represents the recognised amounts of identifiable assets acquired at the date of acquisition. The Group has also recognised negative goodwill of BD 30,000 arising from the acquisition under 'other investment income' and non-controlling interest of BD 134,735 which represents 38.9374% share attributable to non-controlling shareholder.

11. Other liabilities

	30 June 2022 (reviewed)	31 December 2021 (audited)
Payable for acquisition of subsidiary (note 11.1)	3,100,000	4,100,000
Payable for purchase of investment	2,067,015	1,508,720
Payable for additions to development properties	873,487	357,520
Accrued interest payable	130,480	295,482
Lease liability	122,429	135,159
Derivative financial liability	-	129,438
Other payables	238,214	463,419
	6,531,625	6,989,738

11.1 Payable related to acquisition of subsidiary (related to development properties) of BD 3,100,000 (31 December 2021: BD 4,100,000) will be paid as instalments over three years from the reporting period and has an interest cost of 6.5% p.a.

12. Commitments

At 30 June 2022, the Group has net outstanding commitments to invest in managed funds amounting to BD 578,361 (31 December 2021: BD 578,361). Further, the Group has commitment to the contractor in consideration for the execution and completion of development properties amounting to BD 6,250,000.

The Group uses derivatives, some of them designated in a qualifying hedge relationship, to manage its exposure to market risks as follows:

	30 June 2022 (reviewed)	31 December 2021 (audited)
Interest rate swaps – notional amount	3,430,700	3,430,700
Average fixed interest rate	1.83%	1.76%
Fair value of derivative – interest rate swap	159,382	(126,668)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular asset or liability or a highly probable forecast transaction that could affect 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 profit or loss.

13. Segment information

The Group divides its business activities into strategic equity holdings portfolio, fixed income portfolio, trading portfolio and yielding 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 condensed consolidated interim financial information.

14. Appropriation

Subsequent to the year end, in the annual general meeting of the shareholders held on 30 March 2022, the shareholders approved cash dividend of BD 836,941. Appropriations, if any, for the current period will be made in the next shareholders meeting and will be reflected in the consolidated financial statements on approval.

15. Investment income

	Six months ended 30 June	
	2022 (Reviewed)	2021 (Reviewed)
Income from equity securities		
Dividend income	514,099	336,568
Realised gain on sale	86,484	161,760
	600,583	498,328
Income from debt securities		
Interest income	338,894	361,219
Realised gain on sale	63,320	466,208
Impairment reversal/ (charge)	70,177	(12,473)
	472,391	814,954
Income from derivative instruments		
Realised losses	-	(11,752)
	-	(11,752)
Other investment income	42,209	66,004
Total investment income	1,115,183	1,367,534

Dividend income is cyclical in nature and is concentrated in the initial part of the financial year.

16. Related party transactions

Transactions with related parties are on agreed commercial terms. The transactions and balances with related parties were as follows:

	30 June 2022 (reviewed)	31 December 2021 (audited)
Balances with related parties		
Receivable from non-controlling interest	-	419,276

16. *Related party transactions (continued)*

	Six months ended 30 June	
	2022 (Reviewed)	2021 (Reviewed)
Transactions with related parties		
Remuneration to key management personnel	94,000	97,500
Board of Directors' remuneration and sitting fees	-	34,500

 17. **Liquidation of a subsidiary**

The Group held 97.03% stake in Esterad Real Estate Holding Company WLL (the "subsidiary") and the subsidiary held 51% stake in Labac UAE 1 WLL (together the "subsidiaries"). During the period, the subsidiaries were liquidated and the investment in subsidiaries and associated non-controlling interest was derecognised.

 18. **Fair value hierarchy and categories**

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.

The fair values 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 well recognised 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.

Valuation of financial instruments

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.
- 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. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

18. *Fair value hierarchy and categories (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 Group to hold the structure note to maturity and impact of the value of embedded derivatives (strike prices and barriers for coupon and principal).
Interest rate Swaps	<i>Swap models:</i> 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

18. Fair value hierarchy and categories (continued)

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

30 June 2022 (reviewed)

Investment securities

FVTOCI

Debt securities

Equity securities

FVTPL

Debt securities

Equity securities

Structured notes

Derivative financial assets

	Level 1	Level 2	Level 3	Total
Debt securities	9,686,253	-	-	9,686,253
Equity securities	-	4,529,595	1,406,082	5,935,677
Debt securities	-	214,066	-	214,066
Equity securities	1,332,999	-	6,000,000	7,332,999
Structured notes	-	-	272,530	272,530
Derivative financial assets	-	159,382	-	159,382
	11,019,252	4,903,043	7,678,612	23,600,907

31 December 2021 (audited)

Investment Securities

FVTOCI

Debt securities

Equity securities

FVTPL

Equity securities

Structured notes

Derivative financial assets

	Level 1	Level 2	Level 3	Total
Debt securities	12,677,826	-	-	12,677,826
Equity securities	-	4,199,731	1,459,106	5,658,837
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

The fair value of equity investment securities are based on quoted prices or valuation techniques. The fair value of debt securities are based on market prices. Quoted prices include prices obtained from fund manager, brokers and dealers. The Group determines fair values of investment securities that are not quoted in active markets by using well recognised valuation techniques comprising multiple-based approach, discounted cash flow techniques or other valuation methodologies.

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 broker quotes.

The Group recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the six months ended 30 June 2022. 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:

	2022 (reviewed)	2021 (reviewed)
Balance at 1 January	8,308,920	3,619,944
Total gains or losses:		
in profit or loss	(202,633)	-
in other comprehensive income	(53,024)	46,155
Sales/ adjustments	(374,651)	(203,194)
Balance at 30 June	7,678,612	3,462,905

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Bahraini dinars

18. Fair value hierarchy and categories (continued)

For the fair value of investment securities in the level 3 category, changing one or more of the significant unobservable inputs used to reasonably possible alternative assumptions would have an effect on the fair value of these investment securities. These effects have been calculated by recalibrating the values from the valuation technique using alternative estimates of unobservable inputs that might reasonably have been considered by a market participant to price these investment securities as at 30 June 2022.

The potential effect of changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

	30 June 2022 (reviewed)		30 June 2021 (reviewed)	
	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)	-	100,534	-	116,261
Latest transaction price (10% increase)	600,000	-	-	-
Early liquidation of structure note	(200,284)	-	-	-

	30 June 2022 (reviewed)		30 June 2021 (reviewed)	
	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)	-	(100,534)	-	(116,261)
Latest transaction price (10% decrease)	(600,000)	-	-	-

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

30 June 2022 (reviewed)	At FVTPL	At FVTOCI	At amortised cost	Total carrying value	Fair value
Cash and bank balances	-	-	2,959,175	2,959,175	2,959,175
Investment securities					
- Equity securities	7,332,999	5,935,677	-	13,268,676	13,268,676
- Structured notes	272,530	-	-	272,530	272,530
- Debt securities	214,066	9,686,253	-	9,900,319	9,900,319
Derivative financial assets	159,382	-	-	159,382	159,382
Other assets	-	-	2,348,014	2,348,014	2,348,014
Total financial assets	7,978,977	15,621,930	5,307,189	28,908,096	
Borrowings	-	-	9,195,054	9,195,054	9,195,054
Other liabilities	-	-	6,520,859	6,520,859	6,520,859
Total financial liabilities	-	-	15,715,913	15,715,913	

18. Fair value hierarchy and categories (continued)

31 December 2021 (audited)	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	

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.

19. Impact of external events – COVID-19 and Russian-Ukrainian conflict

There has been no significant direct impact on the business and financial position of the Group arising from the ongoing effects of disruption caused by COVID-19. However, potential for indirect exposures continue to exist.

During the period, a conflict between Russia-Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries. The management has carried out an assessment of its portfolio and has concluded that it does not have any significant direct exposures to / from the impacted countries. However, the Group, being exposed to market risk on its global and regional investment portfolio, has an indirect exposure and has been impacted by decline and volatility in prices of financial instruments. At this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The management and the board of directors has been closely monitoring the impact of these developments on the Group's operations and its financial position; including possible loss of revenue, impairment, asset valuations etc. Based on their assessment, the board of directors is of the view that the Group will continue as a going concern entity for the next 12 months from the date of this condensed consolidated interim financial information.

In preparing the condensed interim financial information, 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.

20. Acquisition of Venture Capital Bank BSC (c)

Shareholders of the Company at the extraordinary general meeting held on 30 March 2022 approved to issue up to 9,300,000 new ordinary shares of the Company, at a price of BHD 0.245 each, to shareholders of Venture Capital Bank BSC (c) (“VCB”), or any other entity as may be agreed upon with VCB in exchange for their residual shareholding in VCB, in order to acquire up to 100% interest in VCB, subject to the approval of the Central Bank of Bahrain (CBB) and Ministry of Industry and Commerce (MOIC). Such issuance of new ordinary shares of the Company will dilute existing shareholders by 6.2291%.

VCB shareholders in their extraordinary general meeting held on 21 April 2022 approved the report of the board of directors with regard to the restructuring of VCB, including the issuance of new shares in VCB and the joining of the Company as a strategic investor and approved to waive the pre-emptive rights of the VCB shareholders.

VCB is a wholesale bank licensed by the CBB which operates under the Shari’a rules and principles. The Company is expected to benefit from the continuation of the asset management and banking business of VCB. At this stage, the financial terms of the transaction are being finalised with VCB and the CBB and hence the financial impact of the transaction cannot be quantified.

21. Comparatives

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