Seef Properties B.S.C.

CHAIRMAN'S REPORT,
INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

SEEF سيف

BOARD OF DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Dear Esteemed Shareholders,

On behalf of the Board of Directors, I would like to express my gratitude and appreciation to you for your unwavering confidence in Seef Properties B.S.C. ("**Company**"). It is therefore with great pleasure that I present to you the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2021, with an overview of the Company's overall performance throughout the preceding year and our plans for the future.

The year 2021 has been another challenging year, the terms of which were dictated by the persistent repercussions of COVID-19 pandemic on global economies. The Bahraini economy and its key sectors have been no exception to this global crisis, and accordingly, we have been reciprocally impacted in our business models in real estate development and management of malls, entertainment and hospitality.

Despite these unprecedented times and with another year coming to an end since the outbreak of the pandemic, the Company remains steadfast with its balanced strategic policies and reaffirms its direction to sustain the interests of shareholders, partners and customers, as it continues to achieve the best possible financial and operational performance, while exerting all efforts to mitigate the impact of the pandemic on its business model and its main activities.

Maximising Profits During the Pandemic

As a testament to the administrative measures and innovative operational initiatives we have taken to preserve the gains we have achieved, and our commitment to maximising the same in the time of the pandemic, the Company succeeded in recording a net profit attributable to the parent of BD 5.02, with an increase by 10.91% in comparison to 2020. This increase is attributed to increase in revenue in the hospitality segment contemporaneous with the near-normal occupancy levels and an increase in revenue the entertainment sector due to longer periods of operations at various capacities in the family entertainment centres, coupled with lower tenant support extended by the Group during 2021 when compared to 2020. Accordingly, the Board of Directors decided to submit a recommendation to the General Assembly for distribution of cash dividends to the shareholders of 6%, equivalent to BD 2.76 million.

Main Financial Results (Million Bahraini Dinars)	**2021**	**2020**
Revenues	12.54	12.35
Operating Profit	10.26	10.40
Net Profit Attributable to Shareholders	5.02	4.52
Total Assets	179.87	173.28
Total Shareholder's Equity	154.88	152.17

Tenants Support Fund Extension

The Company continued with the support to its valued tenants by extending the support fund introduced to deal with pandemic repercussions, which reflects the Company's belief in the importance of strengthening its partnership with the pillars of its business model, in addition to its unwavering commitment to support tenants under all circumstances by alleviating the negative impacts of the pandemic on their businesses. Moreover, and as the second year of COVID-19 comes to an end, we continue to take all necessary precautions to ensure the health and safety of visitors, tenants, employees and work crews at the Company's malls, in line with the instructions of the National Medical Team.

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Income Sources Diversification

As part of its unrelenting efforts to diversify sources of income and maximise the returns generated from its business model for greater financial stability, the Company began providing real estate management services to properties beyond its group, which culminated in the conclusion of an agreement under which the Company is currently providing comprehensive property management services for "Souq Al Baraha" in Diyar Al Muharraq. The aforementioned project is located in close proximity to the most iconic residential, commercial and entertainment projects in the city, and with a total area of 64,000 square metres, is set to be one of the most promising tourism, entertainment and commercial attraction in the Kingdom and Muharraq Governorate in particular, thereby creating a valuable addition to the Company's diversified service and income-generating projects portfolio.

As for the entertainment and hospitality sectors, which are amongst the most affected by the repercussions of the pandemic, the Company has been keen, despite the negative impacts of COVID-19, to apply the highest standards of health, safety and precautionary measures to ensure the health of visitors. We look at these two (2) sectors with more optimism in 2022, as we are witnessing gradual recovery and an increasing pace of growth with the gradual return of tourism related travel to its pre-pandemic levels.

Furthermore, and despite the unprecedented difficulties caused by the persistence of the pandemic in 2021, the Company remains dedicated to its corporate social responsibility towards the community by continuing to support a number of projects and initiatives across the Kingdom, either directly or in collaboration with several charities, national institutions and civil society representatives.

An Ambitious Economic Recovery Plan

We begin the year 2022 with more optimism, as we implement an integrated strategy based on the gains achieved throughout the Company's twenty-three (23) year history of excellence, while continuing to target new projects in various regions of the Kingdom. Furthermore, we remain eager to diversify our sources of income and develop revenues in general to the ultimate benefit of the Company's shareholders and are actively looking for opportunities to contribute to the development of revenues and serve the aspirations of our partners.

In this context, we aspire to increase confidence in the national economy as we continue our positive growth and record a gradual recovery, fulfilling our role as effective participants in the economic recovery plan and its valuable strategies and initiatives as devised by the wise leadership, which puts into action the Royal directives of His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, as is further solidified by the immeasurable diligence and follow-up of His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister.

We take this opportunity to express our sincere gratitude and appreciation to the wise leadership and the esteemed Government for their endless patronage and support, and for launching a BD 4.5 billion stimulus package amounting to a third of Bahrain's gross domestic product, which received wide regional and international recognition since the outbreak of the COVID-19. This critical package was primarily created to protect the economy from the negative health and economic impacts of the pandemic, support its most affected sectors, further enhance the economic positioning of the Kingdom of Bahrain and create more job opportunities in the local market, all of which aligning with the Kingdom's pioneering economic diversification policy.

Launching Landmark Projects in 2022

We are delighted to announce to our esteemed shareholders that the year 2022 will witness the launch of several prominent and iconic projects in the Company's portfolio, which will include the official launch of Al Liwan mixed-use development in Al Hamala. Occupying a total area of 122,000 square meters, Al Liwan project constitutes a unique addition to the Company's operations, providing it with the lead in three (3) key

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sectors; shopping, entertainment and tourism, while also being a notable contributor and enhancement to the Company's financial performance.

The Company will also officially launch "Souq Al Baraha" in Diyar Al Muharraq this year, in addition to launching Seef Entertainment W.L.L., which will be its corporate arm to operate its projects in the entertainment sector. Seef Entertainment is currently preparing to inaugurate the new entertainment centre in Al Liwan project, set to be the largest of its kind in the Kingdom, which in turn makes the Company the largest operator of entertainment facilities in Bahrain and further cements its leadership in the fields of entertainment, retail and mall management both locally and regionally.

Board of Directors and Executive Management Remuneration

In upholding the principles of transparency and in compliance with the provisions of Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No. (3) for the year 2022 amending some provisions of the Executive Regulations of the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001 issued by Resolution No. (6) of 2002, we are pleased to include the Schedule below which sets out the Board of Directors and Executive Management remuneration for the financial year ended 31 December 2021.

Gratitude and Appreciation

In conclusion, and on behalf of the Board of Directors, I would like to extend our sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, to His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, to the Government of the Kingdom of Bahrain and all ministries and institutions who continue to provide immeasurable support to the Company over the years, allowing it to consolidate its leading position in supporting the aspirations of the wise leadership and for the Kingdom to be the preferred regional and global destination for tourism, shopping and retail, entertainment, hospitality and real estate development.

I would also like to extend thanks and appreciation to all our shareholders, partners and employees for the successes we have achieved. It will remain our goal to enhance your confidence in the performance of the Company and achieve more growth and prosperity in 2022.

Essa Mohammed Najibi
Chairman

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FIRST: BOARD OF DIRECTORS' REMUNERATION DETAILS

(All amounts are in Bahraini Dinars)

Name	Fixed Remuneration					Variable Remuneration					End-of-Service Award	Aggregate Amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the Chairman and Board Directors*	Total Allowance for Attending Board and Committee Meetings***	Salaries	Others****	Total	Remunerations of the Chairman and Board Directors	Bonus	Incentive Plans	Others*****	Total			
First: Independent Directors:													
1. Essa Mohamed Najibi	39,130.435	5,200	-	-	44,330.435	-	-	-	-	-	-	44,330.435	-
2. Dr. Mustafa Ali Al Sayed	29,347.826	3,800	-	-	33,147.826	-	-	-	-	-	-	33,147.826	-
3. Sattam Sulaiman Al Gosaibi	19,565.217	6,800	-	-	26,365.217	-	-	-	-	-	-	26,365.217	-
4. Fuad Ali Taqi	19,565.217	4,400	-	-	23,965.217	-	-	-	-	-	-	23,965.217	-
5. Eman Mustafa Al Murbati	19,565.217**	4,000	-	-	23,565.217	-	-	-	-	-	-	23,565.217	-
6. Mohammed Ebrahim Al Bastaki	19,565.217**	4,400	-	-	23,965.217	-	-	-	-	-	-	23,965.217	-
Second: Non-Executive Directors:													
7. Hesham Jaffar Al Rayyes	19,565.217	2,800	-	-	22,365.217	-	-	-	-	-	-	22,365.217	-
Third: Executive Directors:													
8. Yusuf Ahmed Al Hammadi	19,565.217	3,200	-	-	22,765.217	-	-	-	-	-	-	22,765.217	-
9. Abduljalil Mohamed Janahi	19,565.217	4,400	-	-	23,965.217	-	-	-	-	-	-	23,965.217	-
10. Hamed Yousef Mashal	19,565.217	4,400	-	-	23,965.217	-	-	-	-	-	-	23,965.217	-
Total	225,000	43,400			**268,400**							**268,400**	

Notes:

* Subject to approval of the General Assembly.

** Remuneration is paid to the entity represented by these Directors.

*** Sitting fees for attending the Board and its committee meetings are BD 600 for the Chairman of the Board or any committee and BD 400 for Directors or committee members.

**** Includes in-kind benefits and/or remuneration for technical, administrative and advisory works (if any).

*****Includes the Director's share of the profits and/or granted shares (if any).

SECOND: EXECUTIVE MANAGEMENT REMUNERATION DETAILS

(All amounts are in Bahraini Dinars)

EXECUTIVE MANAGEMENT	TOTAL PAID SALARIES AND ALLOWANCES	TOTAL PAID REMUNERATION (BONUS)	ANY OTHER CASH/ IN-KIND REMUNERATION FOR 2021	AGGREGATE AMOUNT
Remuneration of Top Six (6) Executives	**363,461**	**55,664**	N/A	**419,125**

Note:
*The top six (6) members of Executive management include the following:

1. Chief Executive Officer
2. Chief Technical Officer
3. Chief Financial Officer
4. Senior Manager – Property Management (currently Acting Chief Commercial Officer as of 20 February 2022)
5. Company Secretary and Senior Manager – Legal and Compliance
6. Manager – Internal Audit

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C.

Report on Audit of the Consolidated Financial Statements

Opinion
We have audited the accompanying consolidated financial statements of Seef Properties B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the 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 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 for the year ended 31 December 2021. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Report on Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

1. Valuation of investment properties Refer to note 7 to the consolidated financial statements	
Key audit matter	**How the key audit matter was addressed in the audit**
Investment properties comprise 76% of the Group's total assets as at 31 December 2021. The Group's investment properties consist of malls, serviced apartments and commercial properties located within the Kingdom of Bahrain. These investment properties are measured at fair value determined by independent, external, specialist valuators. The valuation of the investment properties is highly dependent on estimates and assumptions, such as rental yields, property location, occupancy rates, discount rates, maintenance status, and market knowledge. Because of the complexity of fair value requirements, significance of judgements and estimates applied and the Group's exposure to investment properties forming a major portion of the Group's assets, the audit of fair value measurement for investment properties is a key area of focus.	Our procedures in relation to the fair value assessment of investment properties included, among others: • Evaluation of the independent external valuators' objectivity, independence and relevant expertise; and • Assessment of the methodology, key assumptions and methods used by the valuators in the valuation process. We also evaluated the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions included in the consolidated financial statements. Where relevant, internal specialists were involved in performance of the above procedures.

Other information included in the Group's 2021 annual report

Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Chairman and the Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Board of Directors' Report 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 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 when it becomes available 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C. (continued)

Report on Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2021 annual report (continued)

If, based on the work we have performed on the other information obtained prior to the date of the auditor's 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 the 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 IFRSs, 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C. (continued)

Report on Audit of the Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 to 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

a) as required by the Bahrain Commercial Companies Law, we report that:

   i. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
   ii. the financial information contained in the Board of Directors' Report is consistent with the consolidated financial statements; and
   iii. satisfactory explanations and information have been provided to us by Management in response to all our requests.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C. (continued)

Report on Other Legal and Regulatory Requirements (continued)

b) We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company’s memorandum and articles of association during the year ended 31 December 2021 that might have had a material adverse effect on the business of the Company or on its consolidated financial position.

c) As required by Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company:
   i. has appointed a Corporate Governance Officer; and
   ii. has a board approved written guidance and procedures for corporate governance.

The partner in charge of the audit resulting in this independent auditor’s report is Mr. Kazim Merchant.

Ernst & Young

Auditor's Registration No. 244
27 February 2022
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	**2021 BD**	2020 BD
ASSETS			
Non-current assets			
Property, equipment and furniture	4	**441,649**	888,089
Capital work-in-progress	6	**2,196,681**	554,661
Investment properties	7	**137,504,119**	137,316,526
Investment in an associate and a joint venture	8	**23,585,571**	23,968,102
Right-of-use assets	9	**1,967,294**	2,032,527
		165,695,314	164,759,905
Current assets			
Trade and other receivables	10	**6,019,222**	5,038,749
Bank balances and cash	11	**8,155,599**	3,479,742
		14,174,821	8,518,491
TOTAL ASSETS		**179,870,135**	173,278,396
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**46,000,000**	46,000,000
Statutory reserve	13	**23,000,000**	23,000,000
Furniture and fixtures replacement reserve	14	**291,274**	264,686
Retained earnings		**85,592,653**	82,901,424
Equity attributable to equity holders of the parent		**154,883,927**	152,166,110
Non-controlling interest		**3,647,889**	3,823,206
Total equity		**158,531,816**	155,989,316
Non-current liabilities			
Term loan - non-current portion	17	**8,754,299**	5,629,340
Lease liability - non-current portion	18	**2,478,763**	2,490,694
Employees' end of service benefits	19	**178,165**	250,017
		11,411,227	8,370,051
Current liabilities			
Unclaimed dividends	20	**777,044**	885,077
Trade and other payables	21	**4,027,407**	2,690,140
Term loan - current portion	17	**5,110,710**	5,328,787
Lease liability - current portion	18	**11,931**	15,025
		9,927,092	8,919,029
Total liabilities		**21,338,319**	17,289,080
TOTAL EQUITY AND LIABILITIES		**179,870,135**	173,278,396

Essa Mohamed Najibi Chairman	Dr Mustafa Al-Sayed Vice Chairman	Ahmed Yusuf Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021 BD**	2020 BD
INCOME			
Property rental income and service charges - net		**9,788,575**	10,512,989
Income from serviced apartments		**1,273,640**	687,253
Leisure and recreational income		**537,650**	260,300
		11,599,865	11,460,542
Less: cost of sales	22	**2,279,575**	1,946,527
GROSS PROFIT		**9,320,290**	9,514,015
Other operating income	23	**885,691**	848,054
Profit on term deposits		**57,205**	40,210
OPERATING PROFIT		**10,263,186**	10,402,279
EXPENSES			
General and administrative expenses	24	**2,839,124**	2,368,223
Depreciation	5	**532,528**	744,769
Other expenses	25	**365,000**	425,000
Expected credit losses	10	**620,972**	834,003
Finance costs	16	**796,403**	700,218
		5,154,027	5,072,213
PROFIT BEFORE FAIR VALUE CHANGES IN INVESTMENT PROPERTIES AND SHARE OF PROFIT FROM INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE		**5,109,159**	5,330,066
Unrealised fair value gain (loss) on investment properties	7	**90,622**	(1,094,451)
Share of (loss) profit from investment in an associate and a joint venture	8	**(357,281)**	290,499
NET PROFIT FOR THE YEAR		**4,842,500**	4,526,114
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,842,500**	4,526,114
Attributable to:			
Equity holders of the parent		**5,017,817**	4,524,150
Non-controlling interest		**(175,317)**	1,964
		4,842,500	4,526,114
Basic and diluted earnings per share attributable to equity holders of the parent (fils)	26	**10.91**	9.84

Essa Mohamed Najibi Chairman	Dr Mustafa Al-Sayed Vice Chairman	Ahmed Yusuf Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*2021* BD	*2020* BD
OPERATING ACTIVITIES			
Profit for the year		**4,842,500**	4,526,114
Adjustments for:			
Depreciation	4	**547,066**	750,298
Profit on term deposits		**(57,205)**	(40,210)
Finance costs	16	**796,403**	700,218
Other expense	25	**365,000**	425,000
Expected credit losses	10	**620,972**	834,003
Provision for employees' end of service benefits	19	**43,730**	46,993
Unrealised fair value (gain) loss on investment properties	7	**(90,622)**	1,094,451
Share of loss (profit) from investment in an associate and a joint venture	8	**357,281**	(290,499)
Other adjustments	8	**25,250**	90,000
Operating profit before working capital changes		**7,450,375**	8,136,368
Working capital changes:			
Trade and other receivables		**(1,584,600)**	(2,704,956)
Trade and other payables		**1,194,279**	(362,290)
		7,060,054	5,069,122
Profit received on fixed deposit		**40,360**	40,210
Employees' end of service benefits paid	19	**(115,582)**	(59,019)
Other expenses paid		**(222,012)**	(337,454)
Net cash flows from operating activities		**6,762,820**	4,712,859
INVESTING ACTIVITIES			
Purchase of property, equipment and furniture	4	**(100,626)**	(305,085)
Expenditure incurred on capital work-in-progress	6	**(1,683,338)**	(34,503)
Additions to investment properties	7	**(55,653)**	(432,051)
Additional investment in an associate and a joint venture	8	**-**	(4,906,077)
Net movement in term deposits		**-**	2,800,000
Net cash flows used in investing activities		**(1,839,617)**	(2,877,716)
FINANCING ACTIVITIES			
Dividends paid	20	**(2,408,033)**	(9,606,902)
Movement in bank balances representing unclaimed dividends		**106,977**	552,548
Term loan obtained - Net		**2,906,882**	4,350,083
Finance costs paid		**(746,195)**	(649,050)
Net cash flows used in financing activities		**(140,369)**	(5,353,321)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,782,834**	(3,518,178)
Cash and cash equivalents at 1 January		**3,190,670**	6,708,848
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**7,973,504**	3,190,670

Non-cash items:

1) Movement in donations and charitable contributions of BD 142,988 (2020: BD 87,546) has been excluded from trade and other payables.
2) Movement in profit on term deposits of BD 16,845 (2020: nil) has been excluded from trade and other receivables.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Equity attributable to equity holders of the parent					
	Notes	*Share capital BD*	*Statutory reserve BD*	*Furniture and fixtures replacement reserve BD*	*Retained earnings* BD*	*Non-controlling interest BD*	*Total BD*
Balance at 1 January 2021		46,000,000	23,000,000	264,686	82,901,424	3,823,206	155,989,316
Net profit and total comprehensive income		-	-	-	5,017,817	(175,317)	4,842,500
Dividends for 2020	15	-	-	-	(2,300,000)	-	(2,300,000)
Transfer to furniture and fixtures replacement reserve	14	-	-	38,209	(38,209)	-	-
Furniture and fixtures replacement reserve utilised		-	-	(11,621)	11,621	-	-
Balance at 31 December 2021		**46,000,000**	**23,000,000**	**291,274**	**85,592,653**	**3,647,889**	**158,531,816**

* Retained earnings include BD 633,417 (2020: BD 596,683) relating to the statutory reserve of the subsidiaries.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

		Equity attributable to equity holders of the parent					
	Notes	*Share capital BD*	*Statutory reserve BD*	*Furniture and fixtures replacement reserve BD*	*Retained earnings* BD*	*Non-controlling interest BD*	*Total BD*
Balance at 1 January 2020		46,000,000	22,510,000	246,521	85,785,439	3,821,242	158,363,202
Net profit and total comprehensive income		-	-	-	4,524,150	1,964	4,526,114
Dividends for 2019	15	-	-	-	(6,900,000)	-	(6,900,000)
Transfer to statutory reserve	13	-	490,000	-	(490,000)	-	-
Transfer to furniture and fixtures replacement reserve	14	-	-	21,429	(21,429)	-	-
Furniture and fixtures replacement reserve utilised		-	-	(3,264)	3,264	-	-
Balance at 31 December 2020		46,000,000	23,000,000	264,686	82,901,424	3,823,206	155,989,316

The attached notes 1 to 31 form part of these consolidated financial statements.

1 ACTIVITIES

Seef Properties B.S.C. ("the Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 44344. The postal address of the Company's registered head office is at P O Box 20084, Building 2102, Road 2825, Block 428, Seef District, Kingdom of Bahrain.

The Company and its subsidiaries are collectively referred to as the Group.

The Group is primarily engaged in the real estate business and also provides leisure and recreational game facilities. The Group owns and manages Seef Mall, Isa Town Mall, Muharraq Seef Mall, Fraser Suites - Seef, Seef Entertainment and other commercial facilities in the Kingdom of Bahrain.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2022.

The Company's subsidiaries, associate and joint venture, all of which are incorporated in the Kingdom of Bahrain, are as follows:

Name	*Percentage of holding*		*Principal activities*
	2021	*2020*	
Subsidiaries			
Fraser Suites Seef - Bahrain W.L.L.	**100%**	100%	Hotel, tourist furnished flats and restaurants for tourist services management.
Seef Entertainment W.L.L.	**100%**	100%	Management of amusement parks and theme parks and other amusement and recreation activities.
The Muharraq Mall Co. W.L.L.	**72.5%**	72.5%	Management of real estate including malls.
Associate			
Binaa Al Bahrain B.S.C. (c)	**25%**	25%	Real estate business.
Joint Venture			
Lama Real Estate W.L.L.	**50%**	50%	Real estate business.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse.

2.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value. The consolidated financial statements are presented in Bahraini Dinars (BD) which is the functional currency of the Company and reporting currency of the Group.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

2.4 New and amended standards and interpretations effective as of 1 January 2021

The accounting policies adopted are consistent with those of the previous financial year, except for the IASB's following new and amended standards and interpretations which are effective as of 1 January 2021. The adoption of these standards and interpretations did not have any effect on the Group's consolidated financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New and amended standards and interpretations effective as of 1 January 2021 (continued)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/ or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This had no impact on the consolidated financial statements of the Group as the Group mainly acts as a lessor.

2.5 New and amended standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 New and amended standards and interpretations issued but not yet effective (continued)
Amendments to IAS 1: Classification of Liabilities as Current or Non-current (continued)
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact that the amendments will have on current practice and whether existing loan agreements may require renegotiation.

IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment, if applicable.

Amendments to IAS 37 – Onerous Contracts: — Cost of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. This is not expected to have any effect on the consolidated financial statements of the Group.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions held as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39, is remeasured at each reporting date, at fair value with the changes in fair value recognised in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of comprehensive income as "gain on bargain purchase".

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)
Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

An asset is presented as current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is presented as current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in associate and joint venture is accounted for using the equity method.

Under the equity method, the investment in joint venture or associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate and joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate and joint venture.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Investment in associates and joint ventures (continued)

The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit.

The financial statements of the joint venture or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value, then recognises the loss as 'Share of loss of an associate and joint venture' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of comprehensive income.

Property, equipment and furniture

Property, equipment and furniture are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, equipment and furniture. When significant parts of property, equipment and furniture are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, equipment and furniture as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment	2-10 years
Furniture and fixtures	3-10 years
Motor vehicles	4 years

An item of property, equipment and furniture and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

The capitalisation threshold for an individual item of property, equipment and furniture is BD 250, below which the cost is recognised as an expense.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Capital work-in-progress

Expenditure incurred on the construction of new facilities prior to the commencement of their commercial use is capitalised as capital work-in-progress. Capital work-in-progress is transferred either to property, equipment and furniture or investment properties at the time of commencement of commercial use.

Capital work-in-progress is not depreciated until it is transferred and put to commercial use, and is reviewed annually for any indication on impairment.

Investment properties

Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a finance lease is classified as an investment property when the definition of an investment property is met.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, equipment and furniture up to the date of change in use.

Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Property, equipment and furniture Note 4

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)
Impairment of non-financial assets (continued)
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities
The specific accounting policies relating to various financial assets and financial liabilities are set out below:

i) Financial assets
The Group's financial assets include bank balances and cash and trade and other receivables.

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

All the financial assets currently held by the Group are classified at amortized cost.

The subsequent measurement of financial assets depends on their classification as described below:

Trade receivables

Trade and other receivables are recognised at the contractually agreed rates less any discounts or adjustments. Where the time value of money is material, receivables are discounted and carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Refer policy for impairment of financial assets.

Bank balances and cash

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with maturity of one year or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with original maturity of three months or less, net of outstanding bank overdrafts and restricted bank accounts, if any.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

i) Financial assets (continued)

Derecognition (continued)

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors.

The Group considers a financial asset in default when contractual payments of 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Fair value measurement

The Group measures non-financial assets such as investment properties at fair value at each reporting date. Fair value related disclosures are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions relating to investment properties	Notes 3, 7
- Quantitative disclosures of fair value measurement hierarchy	Note 31

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)
Fair value measurement (continued)
The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. The selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. Management decides, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group’s external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an annual basis, the management present the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits

The Group makes contributions to the Social Insurance Organisation scheme for its national employees calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group also provides for end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salaries and length of service. The expected costs of these benefits are accrued over the period of employment.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty, if any. The Group has concluded that it is acting as the principal in all of its revenue arrangements as it has pricing latitude and is also exposed to credit risk. The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

Rental income receivable from operating leases, less the Group's initial direct costs of entering into the leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of comprehensive income when they arise.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue, as it is considered that the Group acts as principal in this respect.

Interest income

Interest income is recorded using the effective interest rate (EIR) method, which is based on the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is presented as profit on term deposits in the consolidated statement of comprehensive income.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Government assistance amounting to BD 225,396 is recorded in profit or loss during the current period. The amount was recorded as a deduction from related expenses in consolidated statement of comprehensive income.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. As per the Bahrain commercial companies law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management	Note 30
- Financial risk management and policies	Note 30
- Sensitivity disclosures	Note 30

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern
The Company's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast a significant doubt about the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Property lease classification – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions
The key assumptions considering the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions as they occur.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of comprehensive income. The Group engaged an independent valuation specialist to assess fair value as at the reporting date for investment properties. For investment properties, different valuation methodologies are applied including income yield capitalisation model and discounted cashflows.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Revaluation of investment properties (continued)

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. Future revenue streams comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

The key assumptions used to determine the fair value of the properties are provided in note 7.

Useful lives of property, equipment and furniture

The Group's management determines the estimated useful lives of its property, equipment and furniture for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of trade receivables

The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4 PROPERTY, EQUIPMENT AND FURNITURE

2021	***Equipment***	***Furniture and fixtures***	***Motor vehicles***	***Total***
	BD	***BD***	***BD***	***BD***
Cost:				
At 1 January 2021	6,244,358	4,897,693	152,720	11,294,771
Additions	44,009	11,622	44,995	100,626
Disposals	(530)	-	-	(530)
At 31 December 2021	6,287,837	4,909,315	197,715	11,394,867
Accumulated depreciation:				
At 1 January 2021	5,639,789	4,627,384	139,509	10,406,682
Depreciation charge for the year	281,907	249,795	15,364	547,066
Relating to disposals / transfers	(530)	-	-	(530)
At 31 December 2021	5,921,166	4,877,179	154,873	10,953,218
Net carrying values:				
At 31 December 2021	**366,671**	**32,136**	**42,842**	**441,649**

2020	*Equipment*	*Furniture and fixtures*	*Motor vehicles*	*Total*
	BD	*BD*	*BD*	*BD*
Cost:				
At 1 January 2020	5,947,902	4,889,064	152,720	10,989,686
Additions	296,456	8,629	-	305,085
At 31 December 2020	6,244,358	4,897,693	152,720	11,294,771
Accumulated depreciation:				
At 1 January 2020	5,263,188	4,263,329	129,867	9,656,384
Depreciation charge for the year	376,601	364,055	9,642	750,298
At 31 December 2020	5,639,789	4,627,384	139,509	10,406,682
Net carrying values:				
At 31 December 2020	604,569	270,309	13,211	888,089

4 PROPERTY, EQUIPMENT AND FURNITURE (continued)

Depreciation charge has been allocated in the consolidated statement of comprehensive income as follows:

	2021	*2020*
	BD	*BD*
Cost of sales (note 22)	**79,771**	83,313
Expenses	**467,295**	666,985
	547,066	750,298

5 DEPRECIATION

Depreciation of non-current assets have been allocated as follows:

	2021	*2020*
	BD	*BD*
Depreciation of property, equipment and furniture (note 4)	**467,295**	666,985
Depreciation of right-of-use assets (note 9)	**65,233**	77,784
	532,528	744,769

6 CAPITAL WORK-IN-PROGRESS

	2021	*2020*
	BD	*BD*
At 1 January	**554,661**	652,230
Capital expenditure incurred during the year	**1,683,338**	34,503
Transfers to investment properties (note 7)	**(41,318)**	(132,072)
At 31 December	**2,196,681**	554,661

7 INVESTMENT PROPERTIES

	2021	*2020*
	BD	*BD*
At 1 January	**137,316,526**	137,846,854
Unrealised fair value gain / (loss)	**90,622**	(1,094,451)
Transfers from capital work-in-progress (note 6)	**41,318**	132,072
Expenditure incurred during the year	**55,653**	432,051
At 31 December	**137,504,119**	137,316,526

The Group's investment properties consist of Seef Mall, Isa Town Mall, Fraser Suites - Seef, Muharraq Seef Mall and other commercial properties in the Kingdom of Bahrain.

7 INVESTMENT PROPERTIES (continued)

At 31 December 2021 and 31 December 2020, the fair values of the properties are based on valuations performed by independent surveyors. The surveyors are industry specialists in valuing these types of investment properties. The valuations undertaken are based on the income yield capitalisation method or discounted cash flow method.

Fair value hierarchy disclosures for investment properties are provided in note 31.

A description of valuation techniques used and key inputs to the valuation of investment properties are as follows:

Properties	*Significant unobservable inputs*	***2021***	*2020*
Mall Properties	Estimated rental value per annum	BD 11,094,564	BD 11,130,373
	Occupancy rate	83% - 91%	81% - 91%
	Equivalent yield	8% to 9.5%	8% to 9.5%
Fraser Suites - Seef	Estimated rental value per annum	BD 1,872,450	BD 1,793,610
	Occupancy rate	80%	80%
	Equivalent yield and discount rate	10.00%	10.00%
Other commercial properties	Estimated rental value per annum	BD 1,615,680	BD 1,595,400
	Occupancy rate	100%	100%
	Equivalent yield	6.0% - 9.0%	6.0% - 9.0%

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses, as applicable. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value, rent growth per annum and long-term occupancy rates in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value of the properties.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

- A directionally similar change in the rent growth per annum and discount rate (and exit yield); and
- An opposite change in the long term occupancy rate.

8 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

	2021	*2020*
	BD	*BD*
At 1 January	**23,968,102**	18,861,526
Additional investment during the year	**-**	4,906,077
Share of results of an associate and joint venture	**(357,281)**	290,499
Other adjustments	**(25,250)**	(90,000)
At 31 December	**23,585,571**	23,968,102

8 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE (continued)

The summarised financial information of the joint venture, based on its financial statements is set out below:

Joint venture's summarised statement of financial position:	***2021*** ***BD***	*2020* *BD*
Current assets	**4,328,284**	7,097,918
Non-current assets	**40,272,314**	32,240,053
Current liabilities	**(2,864,714)**	(1,991,609)
Non-current liabilities	**(24,815,026)**	(19,749,376)
Equity	**16,920,858**	17,596,986

Joint venture's summarised statement of profit or loss:	***2021*** ***BD***	*2020* *BD*
Revenue	**303,495**	72,581
Expenses	**(979,621)**	(61,478)
(Loss) / profit for the year	**(676,126)**	11,103
Group's share of (loss) / profit for the year	**(338,063)**	5,552

Summarised financial information of the associate, based on its financial statements is set out below:

Associate's summarised statement of financial position:	***2021*** ***BD***	*2020* *BD*
Current assets	**32,124,435**	31,168,542
Non-current assets	**29,931,186**	30,945,973
Current liabilities	**(34,063)**	(16,090)
Equity	**62,021,558**	62,098,425

Associate's summarised statement of profit or loss:	***2021*** ***BD***	*2020* *BD*
Revenue	**975,721**	1,166,505
Expenses	**(1,051,587)**	(22,727)
Profit for the year before adjustment	**(75,866)**	1,143,778
Adjustments	**(1,004)**	(3,990)
Profit for the year	**(76,870)**	1,139,788
Group's share of profit for the year	**(19,218)**	284,947

The joint venture and associate had no material contingent liabilities at 31 December 2021 and 31 December 2020. The joint venture cannot distribute their profits until it obtains the consent from both venture partners. The Group's share of joint venture's capital commitments at reporting date is disclosed in note 27.

9 RIGHT-OF-USE ASSETS

The movements in the carrying value of right-of-use assets during the year, is as follows:

	Land	***Compactors***	***Motor vehicles***	***Total***
	BD	***BD***	***BD***	***BD***
As at 1 January 2021	**2,028,453**	**4,074**	**-**	**2,032,527**
Depreciation for the year	**(61,159)**	**(4,074)**	**-**	**(65,233)**
As at 31 December 2021	**1,967,294**	**-**	**-**	**1,967,294**

	Land	*Compactors*	*Motor vehicles*	*Total*
	BD	*BD*	*BD*	*BD*
As at 1 January 2020	2,089,612	20,370	329	2,110,311
Depreciation for the year	(61,159)	(16,296)	(329)	(77,784)
As at 31 December 2020	2,028,453	4,074	-	2,032,527

10 TRADE AND OTHER RECEIVABLES

	2021	*2020*
	BD	*BD*
Rents and service charges receivable	**5,877,759**	6,740,375
Less: provision for expected credit losses	**(2,612,730)**	(1,991,758)
	3,265,029	4,748,617
Due from related parties (note 29)	**53,675**	49,459
Other receivables	**207,630**	76,242
Prepayments	**127,968**	107,757
Advances to suppliers	**2,364,920**	56,674
	6,019,222	5,038,749

Rents and service charges receivable are non-interest bearing and are generally paid on 30 to 60 days credit terms.

For terms and conditions relating to related party receivables, refer to note 29.

The movement in the provision for expected credit losses is as follows:

	2021	*2020*
	BD	*BD*
At 1 January	**1,991,758**	1,157,755
Charge for the year	**620,972**	834,003
At 31 December	**2,612,730**	1,991,758

10 TRADE AND OTHER RECEIVABLES (continued)

The Group applies the simplified approach prescribed by IFRS 9 to provide for ECL on trade receivables. The loss allowance provision as at 31 December 2021 and 31 December 2020 incorporates certain forward looking factors and its ageing composition is set out below:

		Past due but not impaired				
	Total BD	*0-30 days BD*	*31-60 days BD*	*61-90 days BD*	*91 to 120 days BD*	*over 120 days BD*
31 December 2021						
Gross carrying amounts 2021	**5,877,759**	**1,750,839**	**437,240**	**43,047**	**246,863**	**3,399,770**
Loss allowance	**(2,612,730)**	**(778,268)**	**(194,358)**	**(19,135)**	**(109,733)**	**(1,511,236)**
31 December 2020						
Gross carrying amounts 2020	6,740,375	1,367,024	670,163	60,132	689,286	3,953,770
Loss allowance	(1,991,758)	(362,657)	(177,787)	(15,952)	(182,860)	(1,252,502)

11 BANK BALANCES AND CASH

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date.

	2021 BD	*2020 BD*
Cash on hand, bank balances and term deposits	**8,155,599**	3,479,742
Bank balances representing unclaimed dividends (note 15)	**(182,095)**	(289,072)
	7,973,504	3,190,670

The bank balances are held in commercial banks in the Kingdom of Bahrain and are non-profit bearing. The term deposits are placed for a period of three months. The profit rates on term deposits as at 31 December 2021 was 2-2.50% p.a. (2020: nil)

12 SHARE CAPITAL

	2021 BD	*2020 BD*
Authorised:		
1,000,000,000 shares of BD 0.100 each	**100,000,000**	100,000,000
Issued, subscribed and fully paid-up:		
460,000,000 shares (2020: 460,000,000 shares) of BD 0.100 each	**46,000,000**	46,000,000

13 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's articles of association require 10% of the profit for the year to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year, no transfer was made as the statutory reserve totals 50% of the paid up share capital. (2020: BD 490,000 was transferred to statutory reserve).

14 FURNITURE AND FIXTURES REPLACEMENT RESERVE

In accordance with the management agreement entered into between the Company and Fraser Serviced Residences Pte Ltd., a company incorporated in Singapore and involved in the operation of hotels, apartments and tourist restaurants, an amount equivalent to 1% of the total revenue for the first year, 2% of the total revenue for the second year and 3% of the total revenue for the third year and thereafter of Fraser Suites Seef - Bahrain W.L.L. ("Fraser Suites Seef"), is to be set aside as furniture and fixtures replacement reserve which is to be utilised for the purchase and replacement of Fraser Suites Seef's furniture and fixtures.

15 DIVIDENDS DECLARED

At the Annual General Meeting held on 28 March 2021, the Company's shareholders approved to pay a final dividend of BD 0.005 per share totaling BD 2,300,000. Dividend paid amounting to BD 2,408,033 relate to 2020 and before (refer note 20).

At the Annual General Meeting held on 31 March 2019, the Company's shareholders approved to pay a final dividend of BD 0.015 per share totaling BD 6,900,000. Dividends paid amounting to BD 6,465,776 relate to 2018 and before.

16 FINANCE COSTS

Finance costs comprise of:

	2021	*2020*
	BD	*BD*
Finance costs on term loan	**557,228**	459,683
Finance costs on lease liability	**239,175**	240,535
	796,403	700,218

17 TERM LOAN

This partly represents a term loan facility obtained by a Group's subsidiary Muharraq Mall Co. W.L.L. from a commercial bank in the Kingdom of Bahrain to finance the development of Muharraq Seef Mall. The term loan based on the latest amendment carries an interest at the rate of 2.95% plus 3 months LIBOR and was repayable originally in 40 quarterly instalments commencing from December 2018. During 2020 and 2021, the repayment of the loan was extended by seven quarters to a new maturity date of March 2030. The effective interest rate on the loan at 31 December 2021 was 3.58% (2020: 3.89%).

The loan is secured against the joint and several guarantees issued by all the shareholders of MMC in favour of the bank. There have been no breaches of the financial covenants of term loan during the current and previous year.

17 TERM LOAN (continued)

During 2020, the Company has obtained a loan from a commercial bank in the Kingdom of Bahrain partially to fund the project in Binaa Al Bahrain B.S.C. and for working capital purposes. The loan carries an interest rate of 3% plus 3 months BHIBOR and the interest is payable monthly with a bullet payment of the principal amount. During the same year, the loan was rescheduled to have a maturity of April 2022. The effective interest rate on the loan at 31 December 2021 was 5.10% (2020: 5.97%).

During 2021, the Company has obtained an additional loan from a commercial bank in the Kingdom of Bahrain partially to fund the project of Family Entertainment Center in Liwan, Al Hamala. The loan carries an interest rate of 4.90% reducing per annum subject to rate revision of +/- change in 3 months BHIBOR with a floor rate of 4.75%. Interest is payable monthly with a bullet payment of the principal amount at a maturity date of 27 January 2022.

Movement in the term loan is as follows:

	2021	*2020*
	BD	*BD*
At 1 January	**10,958,127**	6,608,044
Additional loan during the year	**3,070,000**	4,500,000
Repayments during the year	**(163,118)**	(149,917)
At 31 December	**13,865,009**	10,958,127

The current and non-current portions of the term loan are as follows:

	2021	*2020*
	BD	*BD*
Current	**5,110,710**	5,328,787
Non-current	**8,754,299**	5,629,340
	13,865,009	10,958,127

18 LEASE LIABILITY

The lease liability balance represents the present value of future lease payments for a leasehold land, leased motor vehicles and leased compactors which end in February 2054, February 2020 and March 2021 respectively.

The payments for the leasehold land are discounted using a discount factor of 9.66% per annum representing the rate of a commercial loan at 6% with 1.5% increment over the years. The payments for the leased motor vehicles and leased compactors are discounted at 3.2% per annum.

18 LEASE LIABILITY (continued)

The movement of the lease liability is as follows:

	Leasehold land BD	***Leasehold compactors BD***	***Leasehold motor vehicles BD***	***Total BD***
Balance at 1 January 2021	**2,501,530**	**4,189**	**-**	**2,505,719**
Lease payments during the year	**(250,000)**	**(4,200)**	**-**	**(254,200)**
Finance costs for the year	**239,164**	**11**	**-**	**239,175**
Balance at 31 December 2021	**2,490,694**	**-**	**-**	**2,490,694**

	Leasehold land BD	*Leasehold compactors BD*	*Leasehold motor vehicles BD*	*Total BD*
Balance at 1 January 2020	2,511,372	20,612	351	2,532,335
Lease payments during the year	(250,000)	(16,800)	(351)	(267,151)
Finance costs for the year	240,158	377	-	240,535
Balance at 31 December 2020	2,501,530	4,189	-	2,505,719

The current and non-current portions of the lease liability are as follows:

		2021		
	Leasehold land BD	***Leasehold compactors BD***	***Leasehold motor vehicles BD***	***Total BD***
Current	**11,931**	**-**	**-**	**11,931**
Non-current	**2,478,763**	**-**	**-**	**2,478,763**
	2,490,694	**-**	**-**	**2,490,694**

		2020		
	Leasehold land BD	*Leasehold compactors BD*	*Leasehold motor vehicles BD*	*Total BD*
Current	10,836	4,189	-	15,025
Non-current	2,490,694	-	-	2,490,694
	2,501,530	4,189	-	2,505,719

19 EMPLOYEES' END OF SERVICE BENEFITS

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2021 amounted to BD 178,422 (2020: BD 162,227).

The movement in the end of service benefits applicable to expatriate employees is as follows:

	2021 ***BD***	*2020* *BD*
At 1 January	**250,017**	262,043
Charge for the year	**43,730**	46,993
Paid during the year	**(115,582)**	(59,019)
At 31 December	**178,165**	250,017

Charges for the year have been allocated in the consolidated statement of comprehensive income as follows:

	2021 ***BD***	*2020* *BD*
Staff costs (note 24.1)	**26,912**	42,055
Cost of sales	**16,818**	4,938
	43,730	46,993

20 UNCLAIMED DIVIDENDS

	2021 ***BD***	*2020* *BD*
At 1 January	**885,077**	3,591,979
Dividends declared (note 15)	**2,300,000**	6,900,000
Dividends paid * (note 15)	**(2,408,033)**	(9,606,902)
At 31 December	**777,044**	885,077

* During 2021, the Company has transferred unclaimed dividends amounting to BD 2,408,033 pertaining to dividends up to 2018 to Bahrain Bourse as per their instructions.

21 TRADE AND OTHER PAYABLES

	2021 ***BD***	*2020* *BD*
Accrued expenses	**2,120,853**	985,107
Deposit payable	**647,512**	533,411
Trade payables	**527,955**	503,671
Donations and charitable contributions payables	**316,853**	173,865
Deferred income	**229,724**	390,156
Other payables	**89,264**	74,454
Retentions payable	**95,246**	29,476
	4,027,407	2,690,140

21 TRADE AND OTHER PAYABLES (continued)

Terms and conditions of the financial liabilities included in the above table are as follows:

- Trade and other payables are non-interest bearing and are normally settled on 60-day terms.
- Retentions payable are non-interest bearing and have an average term of six months to one year from the date of rendering the contractual services.

22 COST OF SALES

	2021 ***BD***	*2020* *BD*
Utilities	**802,317**	512,949
Cleaning	**416,854**	394,543
Maintenance	**415,017**	398,819
Staff costs	**311,722**	360,478
Depreciation (note 4)	**79,771**	83,313
Room related expenses	**76,887**	32,603
Insurance	**63,703**	66,109
Food and beverage costs	**-**	8,955
Direct costs incurred on leisure and recreational facilities	**26,827**	16,084
Property tax	**31,260**	23,445
Miscellaneous	**55,217**	49,229
	2,279,575	1,946,527

23 OTHER OPERATING INCOME

	2021 ***BD***	*2020* *BD*
Kiosk, antenna, ATM and GSM income	**313,213**	608,840
Advertising and promotional income	**100,896**	53,905
Car park income	**27,713**	39,993
Miscellaneous income	**443,869**	145,316
	885,691	848,054

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 ***BD***	*2020* *BD*
Staff costs (note 24.1)	**1,559,362**	1,431,705
Marketing and advertisement expenses	**396,699**	123,317
Legal and professional fees	**380,780**	365,750
Security and other labour expenses	**153,018**	156,296
Office expenses	**104,192**	108,839
Incentive fees	**38,602**	4,515
Maintenance expenses	**63,384**	33,052
Management fees	**31,841**	23,712
Board sitting fees	**55,000**	77,100
Travelling and transportation expenses	**717**	930
Miscellaneous	**55,529**	43,007
	2,839,124	2,368,223

24 GENERAL AND ADMINISTRATIVE EXPENSES (continued)

24.1 Staff costs

	2021	*2020*
	BD	*BD*
Basic salaries - net	**947,401**	772,016
Allowances	**208,143**	203,361
Bonuses	**146,224**	200,363
Social insurance	**131,964**	127,624
Medical insurance	**66,277**	69,366
Others	**32,441**	16,920
End of service benefits (note 19)	**26,912**	42,055
	1,559,362	1,431,705

25 OTHER EXPENSES

	2021	*2020*
	BD	*BD*
Directors' remuneration (note 29)	**185,000**	245,000
Donations and charitable contributions	**180,000**	180,000
	365,000	425,000

26 EARNINGS PER SHARE

	2021	*2020*
Profit for the year attributable to equity holders of the Parent (BD)	**5,017,817**	4,524,150
Weighted average number of shares outstanding during the year	**460,000,000**	460,000,000
Basic and diluted earnings per share (fils)	**10.91**	9.84

No separate figure for diluted earnings per share has been presented as the Company has not issued any financial instruments which may have a dilutive effect.

27 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

The Group has capital expenditure and investment commitments outstanding at the reporting date but not yet provided for in respect of the following:

	2021	*2020*
	BD	*BD*
Lama Real Estate W.L.L.	**1,508,909**	2,847,933
Seef Mall, Isa Town Mall and Magic Island renovation works	**1,346,310**	486,510
Muharraq Seef Mall	**3,200**	3,200
	2,858,419	3,337,643

27 COMMITMENTS AND CONTINGENCIES (continued)

b) Other commitments

MMC is expected to pay a royalty charge of 2.75% (2020: 2.75%) of its gross rental income receivable to the lessor commencing from the year 2022 until the end of the lease term in 2053.

c) Legal cases

In the ordinary course of business, the Group is subject to legal claims. The Group has provided for certain claims relating to employees. In respect of other cases, management believe that those cases would be decided in favour of the Group and hence no cash outflow is expected from such cases.

d) Guarantees

The Company, along with the other shareholders, have jointly signed several corporate guarantees towards term loan obtained by MMC from a commercial bank.

28 SEGMENT INFORMATION

For management purposes, the Group is organised into four main business segments:

Malls and properties	-	Management of real estate including malls
Serviced apartments	-	Management of apartments
Leisure and entertainment	-	Operating leisure and recreational games facilities
Other	-	All activities other than property management and leisure activities

The operations of malls and properties include the management of Seef Mall, Isa Town Mall, Muharraq Seef Mall and other properties in Hamad Town, Isa Town, Saar and Um-Al Hassam.

Serviced apartments represent Fraser Suites Seef - Bahrain, which generates income from the leasing of furnished serviced apartments and tourist restaurants.

The Group owns and operates leisure and recreational games facilities in different commercial malls in the Kingdom of Bahrain under its brand name, Magic Island.

The Group also earns income from lease of promotional space, car park areas in addition to other miscellaneous income.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (finance revenue) is managed on a group basis and is not allocated to operating segments.

Transfer prices between operating segments are approved by management.

Segment assets include all operating assets used by a segment and consist primarily of property, equipment and furniture, investment properties and accounts receivable.

Segment liabilities include all operating liabilities and consist primarily of employees' end of service benefits, unclaimed dividends and trade and other payables.

28 SEGMENT INFORMATION (continued)

	Malls and properties		*Serviced apartments*		*Leisure and entertainment*		*Others*		*Elimination*		*Consolidated*	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
	BD	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*
Income from external operations	**9,788,575**	10,512,989	**1,273,640**	687,253	**537,650**	260,300	**-**	-	**-**	-	**11,599,865**	11,460,542
Inter-segment income	**223,425**	202,024	**-**	-	**-**	-	**-**	-	**(223,425)**	(202,024)	**-**	-
Less: cost of sales	**1,510,636**	1,222,564	**423,781**	374,296	**568,583**	551,691	**-**	-	**(223,425)**	(202,024)	**2,279,575**	1,946,527
Gross profit	**8,501,364**	9,492,449	**849,859**	312,957	**(30,933)**	(291,391)	**-**	-	**-**	-	**9,320,290**	9,514,015
Other operating income	**-**	-	**-**	27,049	**12,862**	9,374	**872,829**	811,631	**-**	-	**885,691**	848,054
Profit on term deposits	**-**	-	**-**	-	**-**	11,506	**57,205**	28,704	**-**	-	**57,205**	40,210
Operating profit (loss)	**8,501,364**	9,492,449	**849,859**	340,006	**(18,071)**	(270,511)	**930,034**	840,335	**-**	-	**10,263,186**	10,402,279
Expenses												
General and administrative expenses	**2,395,056**	2,033,803	**398,983**	288,691	**45,085**	45,729	**-**	-	**-**	-	**2,839,124**	2,368,223
Depreciation	**207,649**	322,391	**83,532**	92,610	**241,347**	329,768	**-**	-	**-**	-	**532,528**	744,769
Other expenses	**365,000**	425,000	**-**	-	**-**	-	**-**	-	**-**	-	**365,000**	425,000
Expected credit losses	**620,972**	834,003	**-**	-	**-**	-	**-**	-	**-**	-	**620,972**	834,003
Finance costs	**694,099**	700,218	**-**	-	**102,304**	-	**-**	-	**-**	-	**796,403**	700,218
	4,282,776	4,315,415	**482,515**	381,301	**388,736**	375,497	**-**	-	**-**	-	**5,154,027**	5,072,213
Profit (loss) from operations	**4,218,588**	5,177,034	**367,344**	(41,295)	**(406,807)**	(646,008)	**930,034**	840,335	**-**	-	**5,109,159**	5,330,066
Unrealised fair value (loss) gain on investment properties	**90,622**	(494,451)	**-**	(600,000)	**-**	-	**-**	-	**-**	-	**90,622**	(1,094,451)
Share of profit from investments in an associate and a joint venture	**(357,281)**	290,499	**-**	-	**-**	-	**-**	-	**-**	-	**(357,281)**	290,499
Segment profit (loss) for the year	**3,951,929**	4,973,082	**367,344**	(641,295)	**(406,807)**	(646,008)	**930,034**	840,335	**-**	-	**4,842,500**	4,526,114

	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
	BD	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*
Total assets	**166,604,683**	163,842,527	**11,235,791**	10,864,208	**5,031,378**	1,573,378	**-**	-	**(3,001,717)**	(3,001,717)	**179,870,135**	173,278,396
Total liabilities	**17,097,694**	16,906,550	**3,263,508**	3,259,269	**3,978,834**	124,978	**-**	-	**(3,001,717)**	(3,001,717)	**21,338,319**	17,289,080
Capital expenditure	**529,398**	512,714	**72,992**	195,461	**1,237,227**	63,464	**-**	-	**-**	-	**1,839,617**	771,639

Capital expenditure consists of additions of property, equipment and furniture, capital work-in-progress and investment properties.
All of the sales and profit of the Group are earned in the Kingdom of Bahrain from the above business segments.

29 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by the Group and such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

Balances with related parties included in the consolidated statement of financial position (note 10) are as follows:

	2021 ***BD***	*2020* *BD*
Term loan - non-current portion / Kuwait finance house (KFH)	**2,799,490**	-
Term loan - current portion / Kuwait finance house (KFH)	**270,510**	-
Trade and other receivables / Lama Real Estate W.L.L.	**53,675**	49,459

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2021 ***BD***	*2020* *BD*
Other operating income	**185,898**	201,563
Finance costs	**102,304**	-

Compensation of key management personnel
The remuneration of directors and members of key management during the year were as follows:

	2021 ***BD***	*2020* *BD*
Directors' remuneration	**185,000**	245,000
Management short-term benefits	**156,650**	154,297
Management end of service benefits	**5,800**	5,800
Board sitting fees	**55,000**	77,100
	402,450	482,197

Outstanding balances at 31 December arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the years ended 31 December 2021 and 31 December 2020, the Group has not recorded any impairment of amounts owed by related parties.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction
The Group manages risk through a process of ongoing identification and monitoring of the risks it faces. The Group is exposed primarily to real estate risk, interest rate risk, currency risk, credit risk and liquidity risk.

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

Executive committee

The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Company and Group.

Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (also see credit risk below). To reduce this risk, the Group reviews the financial status of all prospective and existing tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Interest rate risk

The Group is not exposed to interest rate risk on its interest bearing bank deposits as these deposits are placed with reputable banks at pre-determined fixed interest rates.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense are denominated in a different currency from the Group's functional currency.

The majority of the Group's transactions in foreign currency are in US Dollars. As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions.

Credit risk related to rent receivables

Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants’ receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Credit risk from balances with banks and financial institutions is managed by the Group's management in accordance with the Group’s policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company’s Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Audit Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

Concentration of credit risk

The Group provides its services to a large number of individuals and companies. Its five largest customers account for 33% of outstanding trade receivables at 31 December 2021 (2020: 20%).

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group limits its liquidity risk by ensuring that sufficient funds are available. The Group's terms of lease require tenants to pay rentals in advance. Trade and other payables are normally on 30 to 60 days settlement terms.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

2021	***Less than 3 months BD***	***3 to 12 months BD***	***1 to 5 years BD***	***More than 5 years BD***	***Total BD***
Unclaimed dividends	**777,044**	**-**	**-**	**-**	**777,044**
Trade and other payables	**957,397**	**719,433**	**-**	**-**	**1,676,830**
Term loan	**162,595**	**5,428,912**	**7,423,842**	**3,322,970**	**16,338,319**
Lease liability	**62,500**	**187,500**	**1,250,000**	**6,541,667**	**8,041,667**
	1,959,536	**6,335,845**	**8,673,842**	**9,864,637**	**26,833,860**

2020	*Less than 3 months BD*	*3 to 12 months BD*	*1 to 5 years BD*	*More than 5 years BD*	*Total BD*
Unclaimed dividends	885,077	-	-	-	885,077
Trade and other payables	722,230	592,647	-	-	1,314,877
Term loan	259,242	5,434,906	3,757,282	2,685,541	12,136,971
Lease liability	66,574	187,500	1,250,000	6,791,667	8,295,741
	1,933,123	6,215,053	5,007,282	9,477,208	22,632,666

Capital management

The primary objective of the Group's capital management process is to ensure that the Group maintains a strong liquidity and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the current and previous years. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. For the purpose of the Group’s capital management, equity includes share capital, statutory reserve, furniture and fixtures replacement reserve, retained earnings and equity attributable to non-controlling interest and is measured at 31 December 2021 at BD 158,531,816 (2020: BD 155,989,316).

31 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of trade and other receivables and cash and bank balances. Financial liabilities consist of certain items of trade and other payables, unclaimed dividends payable and term loan which are carried at amortised cost.

31 FAIR VALUE MEASUREMENT (continued)

The carrying amounts of the Group's financial instruments such as cash and bank balances, trade and other receivables, trade and other payables, unclaimed dividends payable, term loan and lease liability are a reasonable approximation of their fair values. Thus, a fair value disclosure is not required for such financial instruments.

The following table provides the fair value measurement hierarchy of the Group's assets measured at fair value at 31 December:

		Fair value measurement using			
31 December 2021	***Date of valuation***	***Quoted prices prices in active markets (Level 1) BD***	***Significant observable inputs (Level 2) BD***	***Significant unobservable inputs (Level 3) BD***	***Total BD***
Assets measured at fair value					
Investment properties	*31 December 2021*	**-**	**-**	**137,504,119**	**137,504,119**

		Fair value measurement using			
31 December 2020	*Date of valuation*	*Quoted prices prices in active markets (Level 1) BD*	*Significant observable inputs (Level 2) BD*	*Significant unobservable inputs (Level 3) BD*	*Total BD*
Assets measured at fair value					
Investment properties	*31 December 2020*	-	-	137,316,526	137,316,526

There have been no transfers between Level 1, level 2 and Level 3 during the year.

Movement in the carrying value of investment properties is disclosed in note 7.

Changes in estimated rental value and yields in isolation would result in a higher or lower fair value of the investment properties. The effect of a reasonably possible 1% change in annual rental income would result in a change in fair value of investment properties is BD 1,328,798 (2020: BD 1,424,927). Similarly, the effect of a reasonably possible change in the yield of 0.25% could impact the fair value of the investment properties by BD 3,588,245 (2020: BD 3,656,073).