FIRST

Real Estate Co. B.S.C.

Acquisition • Development • Management

Annual Report

2019

FIRST
Real Estate Co. B.S.C.
Acquisition • Development • Management

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His Highness
Shaikh Salman bin Hamad Al-Khalifa
Crown Prince - Commander in Chief of Bahrain Defence Force

His Majesty
HM King Hamad Bin Isa Al Khalifa
King of Bahrain

His Highness
Shaikh Khalifa bin Salman Al Khalifa
Prime Minister of Bahrain

Board of Directors

Mohammed Ibrahim Al Farhan
Chairman

Hamad J. Al-Sadoun
Vice Chairman

Hamad Abdulaziz Al Shaya
Board Member

Abdulghaffar Abdulrahim Al Kooheji
Board Member

Mohammed Abdul-Hameed Al-Marzook
Board Member

Gerard Snabian
Board Member

Mohammed Abdullah Alhubail
Board Member

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Chairman's Message

Message on behalf of the Chairman of the Board of Directors

Honorable Shareholders of First Real Estate Company

Peace be upon you

On my own behalf and on behalf of the honorable members of the Board of Directors, it is my pleasure to welcome you and review with you throughout the following annual report the results of First Real Estate Company's business for the financial year ending on December 31, 2019.

The company sought this year to maintain the quality and effectiveness of the company's assets by raising the occupancy rates and the returns achieved on these assets compared to its counterparts. That being said, the company went ahead with its long-standing policy aimed at selecting non-income assets and developing the same to achieve the highest possible capital and operating returns.

It is worth noting that these policies were followed by the company and have already led to success in achieving its goals and maintaining the quality of its assets and its high level while increasing the returns resulting therefrom during the past years.

During 2019, in cooperation with one of its strategic partners, the Company received the first tower of its largest projects (Catamaran I), and was able to sell and operate the majority of the tower's units through Urban Quarters, a company specialized in real estate management. Work is currently underway to complete the final finishes for the second tower, which is expected to be completed during the first half of 2020.

This project is characterized by its strategic location and infinite creativity making it one of the most prominent integrated residential towers in the Kingdom of Bahrain. This project was built on a land area of 6,530 square meters and contains 583 units in addition to sports clubs, spacious multi-purpose rooms and large swimming pools (indoor and outdoor), a cinema and other amenities, in addition to commercial units on the ground floor.

The company also continues to search for the best investment opportunities, whether in the Kingdom of Bahrain or around the world. Such opportunities enhance income sources and contribute to the diversification of the company's asset portfolio, which in turn maximizes the profitability to the shareholders.

On the financial front, the company's assets reached BD 80.8 million at the end of 2019 compared to BD 77.6 million at the end of 2018, with an increase of BD 3.2 million or 4%, due to the company's operational performance in addition to the increase in funding at one of the subsidiaries.

The shareholders equity in the parent company reached BD 45.3 million at the end of 2019 compared to BD 48.9 million at the end of 2018, with a decrease of BD 3.6 million equivalent to about 7.4%. This is due to provisions with the values of some of the company's assets.

As for the financial performance, the total revenue reached BD 3.9 million in 2019 compared to BD 18 million in 2018, with a decrease of 14.10 million or about 78% due to a provision of BD 3.3 million. This was also majorly effected due to selling most of the sellable units of the catamaran project and reflecting those numbers in 2018 . The expenses decreased to 2.2 million BD in 2019 compared to BD 13.3 million in 2018, with a decrease of BD 11.1 million. The parent company recorded a loss of BD 1.9 million for the year 2019 compared to a profit of BD 2.6 million for the year 2018.

In conclusion, I must thank, on behalf of the members of the board of directors of the First Real Estate Company, all those responsible for the company's success, such as shareholders and the company's team. We also deeply thank you for your trust and perseverance in supporting us in order to achieve the company's goals while we commit to exert our utmost efforts to achieve success in the following years, God willing.

God bless you all.

Mohammad Ibrahim Al-Farhan
Chairman of the Board of Directors

Introduction

Introduction

First Real Estate Company was founded and restructured to achieve sustainable growth strategies and maintaining a prominent reputation within the local real estate market while offering rewarding opportunities for its investors, management and staff. The Company's professional and experienced management team has worked ardently throughout the previous years at procuring a broader field of investments by expanding its focus beyond the residential market to the commercial and warehouse markets.

First Real Estate Company continues to strive to enhance its asset value and meet shareholder expectations through the implementation of planned growth and qualitative diversification initiatives on both the local and regional levels.

Strategy

First Real Estate Company's strategy is based on the following business model:

- Uncover hidden opportunities in the real estate sector
- Acquire new properties with appreciation potential
- Land trading and development
- Increase and enhance profitability of the existing properties
- Have well defined exit strategies for each property

Vision

Through the life cycle of assembling, grooming and monitoring a solid portfolio of real estate assets, the Company seeks to create value at low levels of risk for its shareholders, create opportunities for its customers and experience for its managers and staff.

Mission Statement

To optimize returns by providing high-quality, stable and secure real estate investment opportunities at low levels of risk and to maximize the value of real estate investments and projects that will be undertaken for the benefit of the shareholders, customers and employees by combining the appropriate mix of people along with creative planning and strategy implementation.

Company Projects

Company's Projects

The Company aims to achieve added value against minimum risk profile so as to provide maximum protection for the investors' and shareholders' interests and to maintain their value despite the fluctuations in the local market.

First Real Estate Co. B.S.C. (Closed) owns real estate that can be classified into two main categories: (i) income-generating real estate, and (ii) trading and development real estate. The following is a brief description of each category.

I. Income Generating Properties

Kingdom of Bahrain

JUFFAIR COMPOUND 1

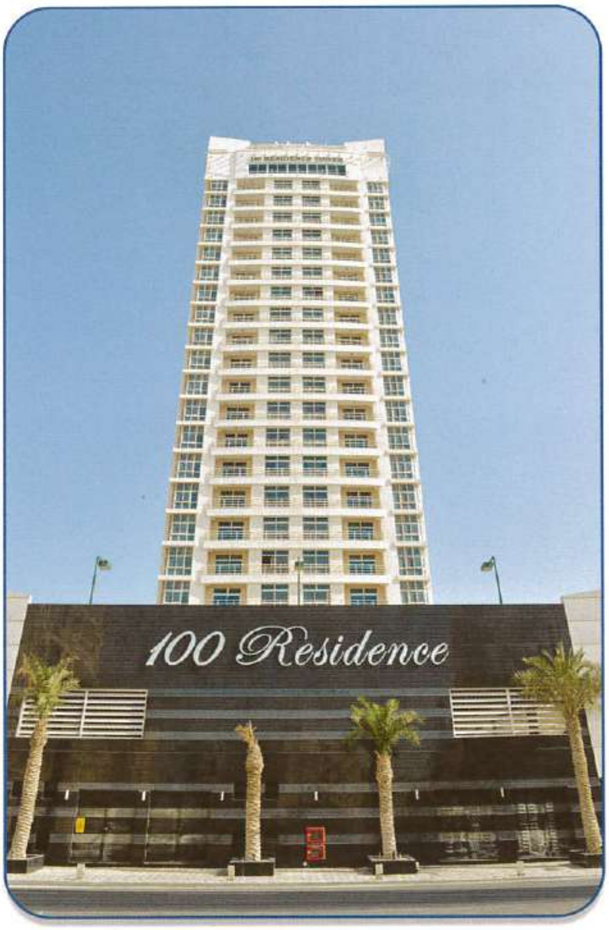
The compound is located in Al Juffair area, one of Manama's prime locations. This luxurious fully furnished compound comprises of 32 villas, and each with over 300 square meters, with a private swimming pool. The compound is leased.

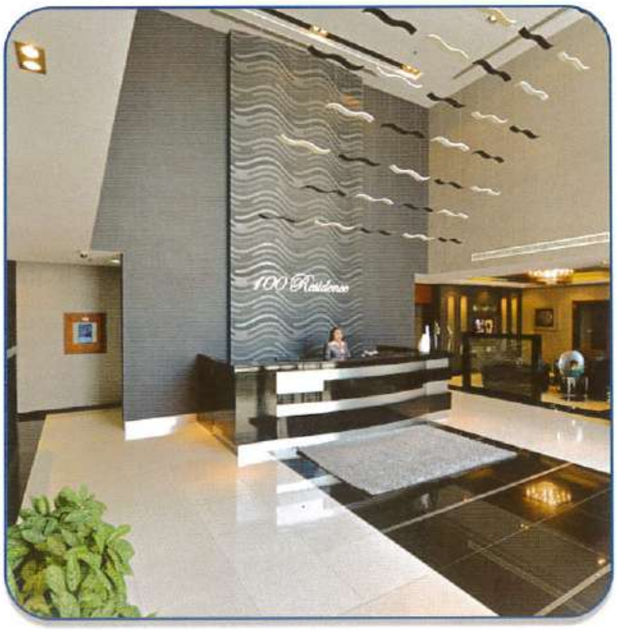
JUFFAIR COMPOUND 2

The compound is adjacent to Juffair Compound (1). The compound comprises of 22 fully furnished villas with a total area of approximately 300 square meters. Each villa features an independent external maid's quarter and a private swimming pool. The compound is leased.

THE 100 RESIDENCE TOWER, AL FATEH AREA

The 100 Residence Tower was completed in the first quarter of 2010. It is located in Al Fateh area in Juffair, covering a land area of 2,160 square meters and a total up area of 22,670 square meters. The project consists of 27 floors containing 104 luxurious fully furnished apartments. The facilities and services provided include indoor and outdoor swimming pools, gymnasium, housekeeping, and 24 hours security. The project is leased.





(G28) WAREHOUSE AT THE BAHRAIN INVESTMENT WHARF, AL HIDD AREA

The Company acquired a strategically situated land for investment purposes known as G28, covering a total area of approximately 45,247 square meters at the Bahrain Investment Wharf. The Company signed a 15 year build-to-suit warehouse contract agreement with an investor for developing the land into a warehouse with a total built-up area of 31,000 square meters. The warehouse was completed and handed over to the investor in August 2009. During 2018, the company signed an extension on the lease with the current tenant, until 2030.

(G26) BAHRAIN INVESTMENT WHARF WAREHOUSES, AL HIDD AREA

The company owns this strategically located land with an area of 58,222 square meters within Bahrain Investment Wharf project. In alignment with the company's strategy to maximise income generating assets, four warehouses were developed on this land boasting a total built up area of 29,952 square meters. Each warehouse, consists of units with different sizes, to accommodate the markets needs. The company completed the development of the last warehouse in 2016, and the project is leased at competitive rates.

AL YAL REAL ESTATE COMPANY - CATAMARAN TOWERS PROJECT

Al Yal Real Estate was established in equal partnership with an associate Company in the Kingdom of Bahrain, to merge and develop three pieces of land owned by the two companies at Al Seef area. The company began developing its largest project (Catamaran Residence) which consists of two residential buildings comprising 583 apartments with a commercial complex in the middle. The project also includes 3 floors that hold up to 600 parking spaces. They contain restaurants and commercial shops. Most of the units in tower are have been sold and handed over to their owners, tower two is anticipated to be completed by the second quarter of 2020.

United Arab of Emirates

JABAL ALI LABOR ACCOMMODATION – DUBAI

As part of the Company's strategy to expand its projects at the regional level, through its 25% share in Al Sanbouk Real Estate L.L.C., two plots of land with a total area of 41,980 square feet in Jebal Ali, Dubai. Development has been completed on a labour accommodation project that includes 380 units, which in fact was completed and is leased.

LABOUR ACCOMMODATION AT MUHAISNAH AREA – DUBAI

In alliance with an associate Company, the Company acquired a labour accommodation building in Muhaisnah area with a total area of 5,287 square meters. The building comprises of two floors containing a total of 401 rooms which were refurbished in 2010. The project is leased.

II. Land Trading and Development

Kingdom of Bahrain

AL SEEF LAND - AL SEEF DISTRICT

The Company, in equal partnership with Dhow Real Estate Company, acquired ownership in a strategically located land in Al Seef District north of Bahrain City Centre. In 2008, the land was subdivided into 21 plots covering an area of 510,881 square feet. The Company decided to take advantage of the land price appreciation in Al Seef area by selling thirteen of its plots, covering a total area of 336,203 square feet, generating a substantial income to the Company. Meanwhile, the Company decided to keep the remaining eight plots for development or trading purposes.

HIDD INDUSTRIAL LAND - HIDD AREA

The Company acquired a plot of land in Al Hidd Industrial area covering a total area of 73,000 square feet. The Company intends to sell this land.

MARSA AL SEEF - AL SEEF AREA

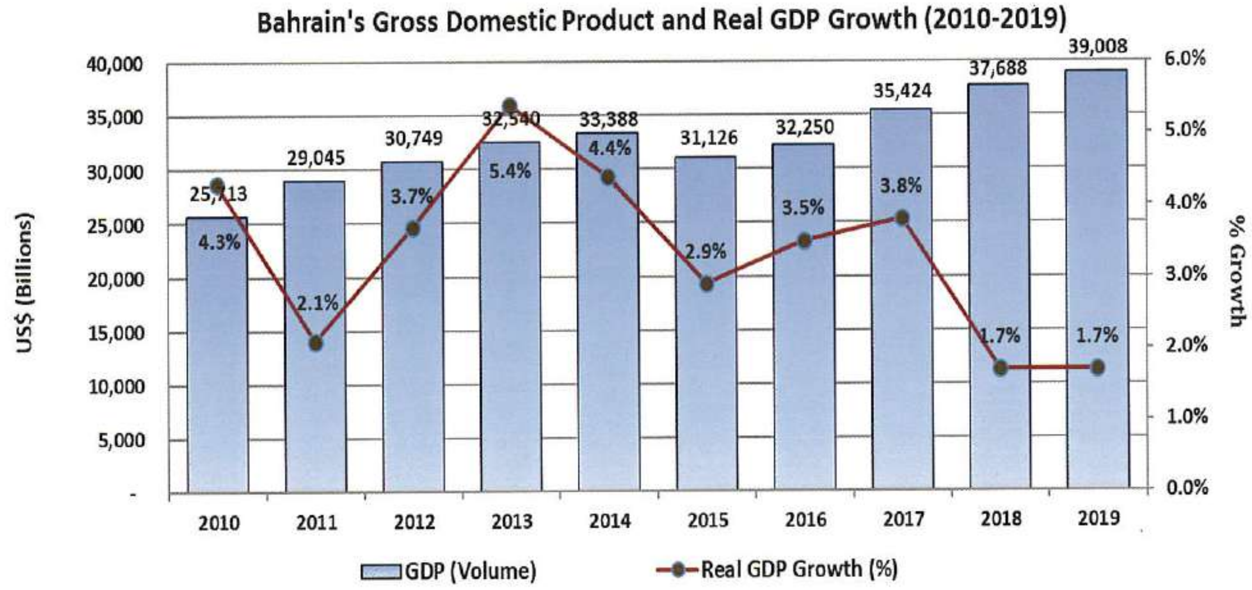
The Company acquired equity shares in Marsa Al Seef Investment Company Limited which was established in 2008 with a paid up capital of US$ 531,000,000. The company is owned by Global Banking Corporation B.S.C., Bahrain. The reclamation work of phase one of the project is complete. Marsa Al seef Investment Company are exploring suitable exit scenarios.

Real Estate & Economic Market Overview

Performance of Bahrain Economy

In order to prepare for an integrated development project, the Kingdom of Bahrain continued to complete its financial balance project that it started in 2015, and at the beginning of 2019, it started to implement the value-added tax, and with its previous procedures, positive results began to bridge the financial gap. Financial stability is a necessity to provide and direct resources and development projects, starting with the intense investment in infrastructure projects, including supporting investment efforts for the private sector in order to create job opportunities, and then the implications of each of them to raise the rates of economic growth, and future expectations suggest the success of these policies.

Graph (1)



Source : Economist Intelligence Unit (EIU) - (February 2020)

Bahrain's Real GDP growth reached 1.7% in 2019 similar to its level in 2018, and reached 3.8% in 2017, according to the forecasts of the Economist Intelligence Unit (EIU). This rate is below its historical levels which illustrate the general economic reality of the neighbouring countries in the region. According to The Economist forecasts', Bahrain's economy will achieve a lower growth rate in 2020 of 1.5% and then increase to 3.2% in 2021, then reach 3.5% in 2022 and 3.8% in 2023, following an upward trend.

According to EIU bulletin, the Central Government Balance deficit decreased from 6.3% of GDP in 2018 to 5.5% in 2019. The balance deficit is forecasted to decrease to 5.3% of GDP in 2020 and to 4.3% of GDP in 2021, then to 3.1% of GDP in 2022. Furthermore, the public debt as a percentage of GDP will continue to increase from nearly 85.7% in 2019 to around 89.7% in 2020, to reach its highest 89.9% in 2021.

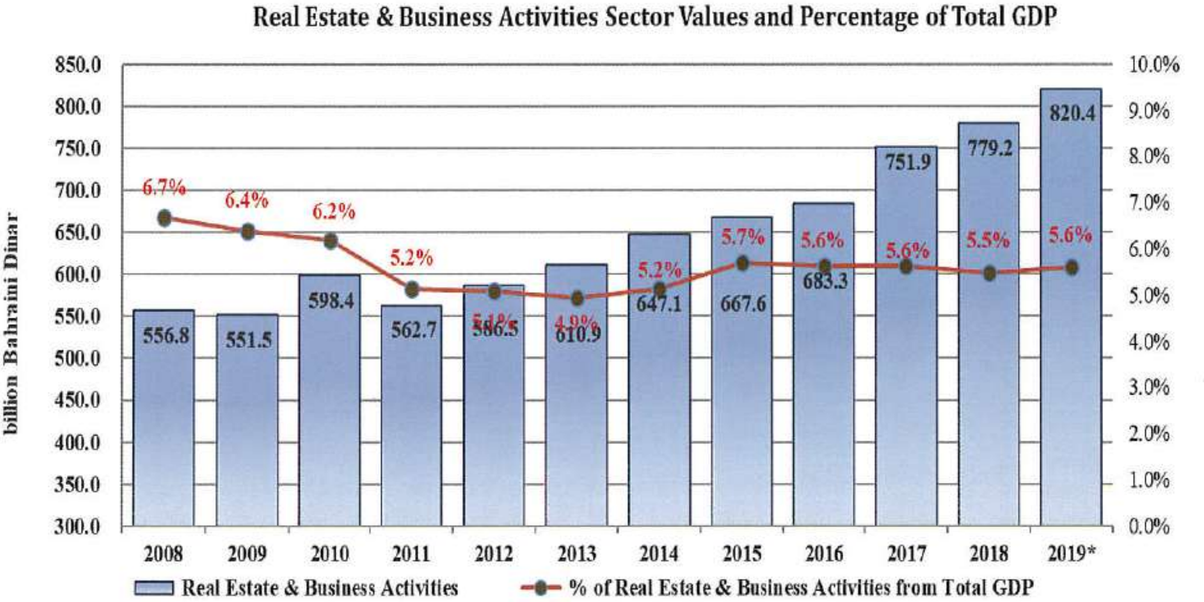
The Current Account deficit will expectedly increase after it increased from USD 2.435 billion in 2018 to USD 2.688 billion in 2019 and to USD 2.987 billion in 2020, then decrease to USD 2.488 billion in 2021. It also expects that the total international reserves will double from USD 1.868 billion in 2018 to USD 3.343 billion in 2019, then decrease to USD 3.511 billion in 2020, then increase to USD 4.213 billion in 2021.

Central Bank of Bahrain will continue to maintain its BHD currency against the US dollar. As for the inflation rate measured by consumer price index (CPI), it is expected to increase from 1.2% in 2019 to 1.8% and 2.4% in 2020 and 2021, respectively. GDP Per Capita will continuously increase between 2019 and 2021, given that the population growth rate will average 4.0% during the same period.

Performance Indicators for Bahrain Real Estate Market

According to Bahrain's Information & eGovernment Authority, the real estate and business activities sector began to rise at a rate higher than the aggregate economic growth rate during the years of 2015, 2016, and 2017. Additionally, it has gradually magnified its contribution to GDP components, to 5.7% to 5.6% and again to 5.6%, respectively, where GDP growth was 2.9%, 3.5%, and 3.8%, respectively. Real estate contribution to GDP was stable during 2018, then it increased in 2019 to match its historical level of 5.6%. The sector's total absolute value also increased since 2011 to 2019, with a compounded annual growth rate of 4.3%.

Graph (2)



Real Estate & Business Activities

Source: Information & Government Authority of Bahrain.

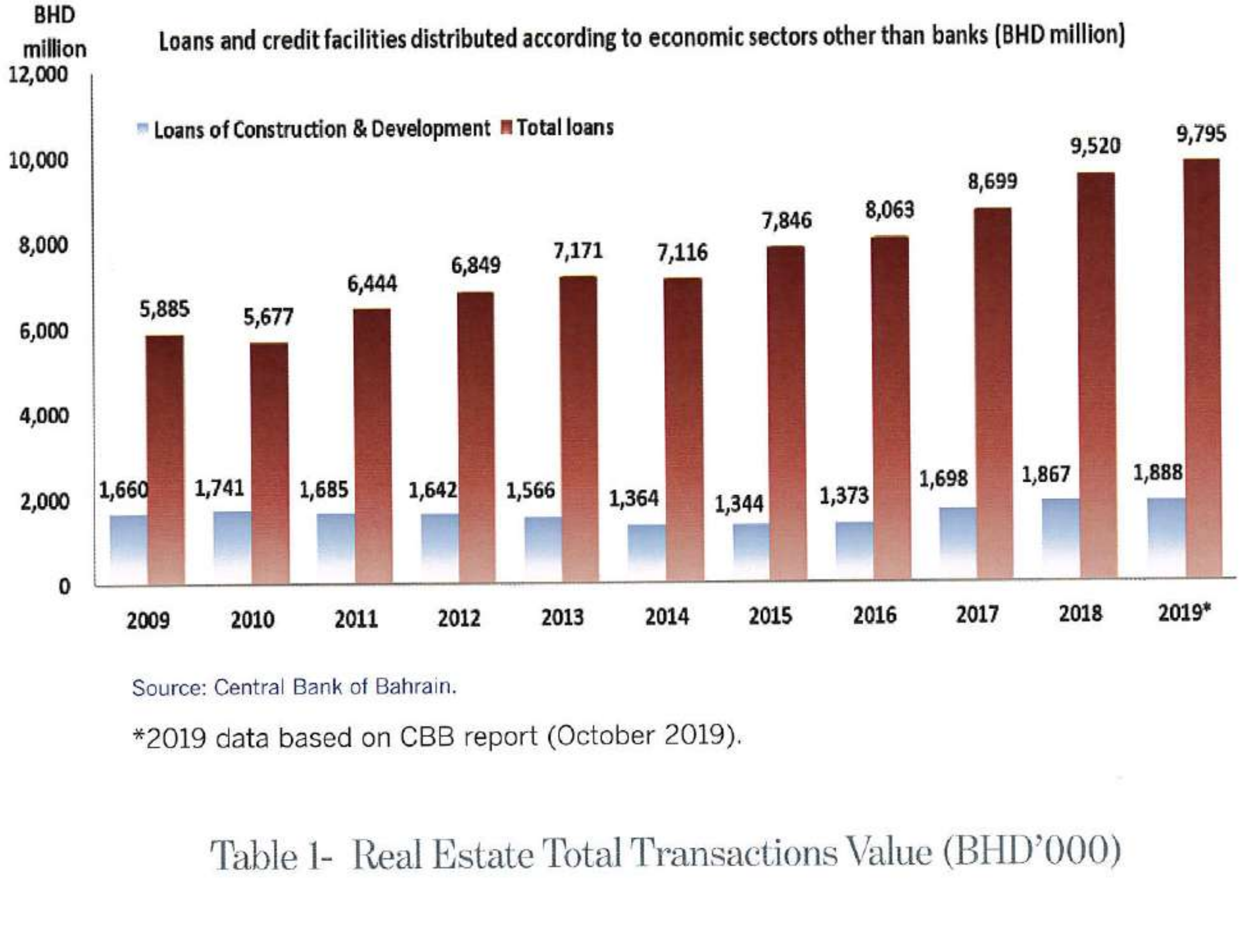
2019 Data based on Information & eGovernment Authority - Kingdom of Bahrain.

Economist Intelligence Unit (EIU) - (February 2020)

The growth of the Banks' credit (to private and public sectors) was not affected by the recent economic decline in growth, wherein it continues to grow at 9% in ten months between the end of 2018 and end of October 2019. The rate of the construction and development loans registered 19.3% of the total credit, meanwhile the compounded annual growth rate for banks' credit scored 5.4% and 1.4% for loans of construction and development, between 2011 and October 2019.

According to the data of the Survey and Land Registration Bureau - Kingdom of Bahrain, the real estate market liquidity based on the total trading value registered around BHD 436.9 million for the first six months of 2019, estimated to BHD 873.8 million on an annual basis. Given this annual score, the market liquidity rate would decrease by nearly 9.1% compared to 2018. Bahrain real estate sector registered a decline in its activity during 2019. The real estate market liquidity resulted in a compound annual growth rate of around 8.5% during the last nine years (from 2011 to 2019).

Graph (3)



Source: Central Bank of Bahrain.

*2019 data based on CBB report (October 2019).

Table 1- Real Estate Total Transactions Value (BHD'000)

	2014	of total %	2015	of total %	2016	of total %	2017	of % total	2018	of % total	*2019	of % total
Bahrainis	1,118,830	86.6%	1,093,441	90.3%	964,712	92.9%	905,363	91.4%	846,671	88.1%	783,799	89.7%
GCC citizens	108,108	8.4%	72,125	6.0%	36,519	3.5%	33,675	3.4%	74,350	7.7%	48,933	5.6%
Foreigners	65,524	5.1%	44,949	3.7%	37,370	3.6%	51,596	5.2%	40,374	4.2%	41,069	4.7%
Total value of real estate transactions	**1,292,462**	**100.0%**	**1,210,515**	**100.0%**	**1,038,600**	**100%**	**990,634**	**100%**	**961,394**	**100%**	**873,800**	**100%**

Source: Survey and Land Registration Bureau data - the Kingdom of Bahrain.

*Based on first half of 2019, calculated on an annual basis.

First Real Estate Company B.S.C. (c)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

First Real Estate Company B.S.C. (C)
Report of the Board of Directors

Bahraini Dinars

The Board of Directors has the pleasure in submitting its report and the audited consolidated financial statements for the year ended 31 December 2019.

Principal activities and review of business developments

The Group is engaged in buying, selling, managing, developing and leasing of flats, offices and houses.

The Group made a net loss of BD 1,842,404 during the year ended 31 December 2019 (2018: profit of BD 4,967,300) of which a loss of BD 1,937,096 is attributable to the equity holders of the parent (2018: profit of BD 2,612,027) and a profit of BD 94,692 is attributable to the non-controlling interests (2018: BD 2,355,273).

Financial highlights	**2019**	2018
Total income	**3,907,824**	17,968,302
(Loss) / profit for the year	**(1,842,404)**	4,967,300
Total assets	**80,842,226**	77,641,791
Total equity	**50,800,348**	53,995,907

Representations and audit

The Group's activities for the year ended 31 December 2019 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 December 2019, which would in any way invalidate the consolidated financial statements.

The Group has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors, KPMG Fakhro, who have expressed their willingness to continue as auditors for the next accounting year.

Signed on behalf of the Board

Mohammed Ibrahim Al Farhan
Chairman
24 February 2020

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

FIRST REAL ESTATE COMPANY B.S.C (c)
Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion
We have audited the accompanying consolidated financial statements of First Real Estate Company BSC (c) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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

Other information
The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the *Directors' report* set out on page 1.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
FIRST REAL ESTATE COMPANY B.S.C (c)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

Report on other regulatory requirements

1) As required by the Commercial Companies Law, we report that:
   a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
   b) the financial information contained in the directors' report is consistent with the consolidated financial statements;
   c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
   d) satisfactory explanations and information have been provided to us by management in response to all our requests.
2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance.

KPMG

KPMG Fakhro
Partner registration number 83
24 February 2020

Consolidated Statement Of Financial Position

As at 31 December 2019 **Bahraini Dinars**

	note	2019	2018
ASSETS			
Furniture, equipment and vehicles		82,018	29,327
Investment properties	5	54,126,396	57,615,530
Investment in associates	6	589,263	881,376
Investment securities	7	488	488
Non-current assets		**54,798,165**	58,526,721
Properties under development	8	15,666,090	11,892,144
Receivables and other assets	9	2,784,828	3,394,871
Cash and bank balances	10	7,593,143	3,828,055
Current assets		**26,044,061**	19,115,070
Total assets		**80,842,226**	77,641,791
EQUITY AND LIABILITIES			
Equity			
Share capital	11	33,390,000	33,390,000
Share premium	12	27,241	27,241
Reserves		11,848,192	15,457,670
Equity attributable to owners of the Company		**45,265,433**	48,874,911
Non-controlling interests	23	**5,534,915**	5,120,996
Total equity		**50,800,348**	53,995,907
Liabilities			
Wakala finance	16	17,806,438	10,943,445
Employees end-of-service benefits		60,874	58,476
Non-current liabilities		**17,867,312**	11,001,921
Wakala finance	16	3,066,967	2,427,494
Due to Related Parties	17	6,139,193	5,828,230
Payables and other liabilities	18	2,902,593	4,196,525
Advances from customers		21,939	182,682
Advances from tenants		43,874	9,032
Current liabilities		**12,174,566**	12,643,963
Total liabilities		**30,041,878**	23,645,884
TOTAL EQUITY AND LIABILITIES		**80,842,226**	77,641,791

The consolidated financial statements were approved by the Board of directors on 24 February 2020 and signed on its behalf by:

Mohammad Al Farhan
Chairman

Hamad Jasim AlSadoun
Vice Chairman

The notes on pages 24 to 45 are an integral part of these consolidated financial statements

Consolidated Statement Of Profit Or Loss

For the year ended 31 December 2019 — **Bahraini Dinars**

	note	2019	2018
INCOME			
Sale of properties	8	-	13,600,213
Gain on sale of investment properties		318,123	-
Rental revenue		3,504,779	4,102,964
Management fee		45,785	19,922
Other income		39,137	245,203
Total income		**3,907,824**	17,968,302
EXPENSES			
Cost of sale of properties	8	-	(10,915,151)
Property operating expenses		(885,311)	(807,866)
Finance costs	16	(667,701)	(795,755)
Other expenses		(287,726)	(476,229)
Staff costs		(354,878)	(262,591)
Share of (loss) / profit on associates	6	(292,113)	222,379
Profit from operations		**1,420,095**	4,933,089
Changes in fair value of investment properties	5	(3,262,499)	34,211
(LOSS) / PROFIT FOR THE YEAR		**(1,842,404)**	4,967,300

	2019	2018
(Loss) / Profit attributable to:		
Owners of the Company	(1,937,096)	2,612,027
Non-controlling interests	94,692	2,355,273
	(1,842,404)	4,967,300

Mohammad Al Farhan
Chairman

Hamad Jasim AlSadoun
Vice Chairman

The notes on pages 24 to 45 are an integral part of these consolidated financial statements

Consolidated Statement Of Other Comprehensive income

For the year ended 31 December 2019 **Bahraini Dinars**

	2019	2018
(Loss) / Profit for the period	(1,842,404)	4,967,300
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Investment securities at FVOCI – net change in fair value	-	(3,176,250)
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	(2,882)	(1,127)
TOTAL COMPREHENSIVE INCOME	**(1,845,286)**	1,789,923

Total comprehensive income attributable to:		
Owners of the Company	(1,939,978)	(565,350)
Non-controlling interests	94,692	2,355,273
	(1,845,286)	1,789,923

The notes on pages 24 to 45 are an integral part of these consolidated financial statements

Statement of Changes in Equity
For The Year Ended 31 December 2019

Bahraini Dinars

2019	Attributable to equity holders of the parent										Non-controlling interest	Total equity
			Reserves									
	Share capital	Share premium	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings-distributable	Retained earnings-not distributable	Investments fair value reserve	Total reserves	Total		
Balance at 1 January 2019	33,390,000	27,241	5,880,636	2,155,826	(5,057)	10,472,743	129,772	(3,176,250)	15,457,670	48,874,911	5,120,996	53,995,907
Loss for the year	-	-	-	-	-	(1,937,096)	-	-	(1,937,096)	(1,937,096)	94,692	(1,842,404)
Other comprehensive income	-	-	-	-	(2,882)	-	-	-	(2,882)	(2,882)	-	(2,882)
Total comprehensive income	-	-	-	-	(2,882)	(1,937,096)	-	-	(1,939,978)	(1,939,978)	94,692	(1,845,286)
Net adjustment in non-controlling interest	-	-	-	-	-	-	-	-	-	-	319,227	319,227
Dividends for 2018	-	-	-	-	-	(1,669,500)	-	-	(1,669,500)	(1,669,500)	-	(1,669,500)
Balance at 31 December 2019	**33,390,000**	**27,241**	**5,880,636**	**2,155,826**	**(7,939)**	**6,866,147**	**129,772**	**(3,176,250)**	**11,848,192**	**45,265,433**	**5,534,915**	**50,800,348**

2018	Attributable to equity holders of the parent										Non-controlling interest	Total equity
			Reserves									
	Share capital	Share premium	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings-distributable	Retained earnings-not distributable	Investments fair value reserve	Total reserves	Total		
Balance at 1 January 2018	33,390,000	27,241	5,619,434	2,155,826	(3,930)	9,791,418	129,772	-	17,692,520	51,109,761	7,577,197	58,686,958
Profit for the year	-	-	-	-	-	2,612,027	-	-	2,612,027	2,612,027	2,355,273	4,967,300
Other comprehensive income	-	-	-	-	(1,127)	-	-	(3,176,250)	(3,177,377)	(3,177,377)	-	(3,177,377)
Total comprehensive income	-	-	-	-	(1,127)	2,612,027	-	(3,176,250)	(565,350)	(565,350)	2,355,273	1,789,923
Distributions to non-controlling interest	-	-	-	-	-	-	-		-	-	(4,811,474)	(4,811,474)
Transfer to statutory reserve	-	-	261,202	-	-	(261,202)	-		-	-	-	-
Dividends for 2017	-	-	-	-	-	(1,669,500)	-		(1,669,500)	(1,669,500)	-	(1,669,500)
Balance at 31 December 2018	33,390,000	27,241	5,880,636	2,155,826	(5,057)	10,472,743	129,772	(3,176,250)	15,457,670	48,874,911	5,120,996	53,995,907

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

Bahraini Dinars

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the year	(1,842,404)	4,967,300
Adjustments for:		
Depreciation	4,185	-
Changes in fair value of investment properties	3,262,499	(34,211)
Share of loss/(profit) on associates	292,113	(222,379)
Finance costs	667,701	795,755
Murabaha and wakala income	(19,496)	(38,486)
Operating profit before working capital changes	2,364,598	5,467,979
Working capital changes:		
Receivables and other assets	610,043	(1,806,633)
Property under development	(6,034,013)	10,915,151
Trade and other payables	(648,714)	2,558,070
Advances from tenants	(125,901)	(11,750,242)
Net cash (used in) / from operating activities	**(3,833,987)**	5,384,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment and vehicles	(56,868)	(15,647)
Proceeds from sale of investment property	2,486,702	10,000,000
Murabaha and wakala income received	19,496	38,486
Receipts from investment in associates	-	115,640
Additions to properties under development	-	(12,840,662)
Proceeds from sale of properties under development	-	4,900,930
Net cash from investing activities	**2,449,330**	2,198,747
CASH FLOWS FROM FINANCING ACTIVITIES		
Wakala finance (net)	7,502,467	(2,456,543)
Finance costs paid	(683,212)	(795,755)
Dividends paid	(1,669,500)	(1,669,500)
Capital distributions	-	(4,811,474)
Net cash from / (used in) financing activities	**5,149,755**	(9,733,272)
Increase / (decrease) in cash and cash equivalents during the year	**3,765,098**	(2,150,200)
Cash and cash equivalents at 1 January	3,828,045	5,978,245
Cash and cash equivalents at 31 December	**7,593,143**	3,828,045

The notes on pages 24 to 45 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 **Bahraini Dinars**

1. REPORTING ENTITY

First Real Estate Company B.S.C. (c) ("the Company") was incorporated in the Kingdom of Bahrain on 10 September 2002 and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 49288. The Company is engaged in buying, selling, managing, developing and leasing of flats, offices and houses. The Company primarily operates in the Kingdom of Bahrain. The address of the Company's registered head office is Al Rossais Tower - Diplomatic Area, Office No 171 & 172, Building No. 283, Block No 317, Road No 1704, Manama, Kingdom of Bahrain.

The Group comprises of First Real Estate Company B.S.C. (closed) and the following subsidiaries and associate companies as at 31 December 2019 (2018: same)

Company Name	*Percentage shareholding*	*Country of incorporation*	*Year of incorporation*	*Industry*
Subsidiaries:				
Al Yal Real Estate Company W.L.L.	50%	Kingdom of Bahrain	2008	Real Estate
Al Yal Seef Residence W.L.L.	50%	Kingdom of Bahrain	2013	Real Estate
Urban Quarters Co. W.L.L.	50%	Kingdom of Bahrain	2017	Management of Real Estate

First Real Estate Company is exposed, or has rights, to variable returns from its involvement with Al Yal Real Estate Company W.L.L., Al Yal Seef Residence W.L.L. and Urban Quarters Co. W.L.L.; and has the ability to affect those returns through its power over Al Yal Real Estate Company W.L.L.. Al Yal Seef Residence W.L.L. and Urban Quarters Co. W.L.L. and thus are deemed as subsidiaries of First Real Estate Company B.S.C. (c).

Associates:				
Al-Sanbook R.E. Co. L.L.C.	25%	United Arab Emirates	2006	Real Estate
Asdaf Real Estate Company L.L.C.	50%	United Arab Emirates	2009	Real Estate

First Real Estate Company has a significant influence i.e. the power to participate in the financial and operating policy decisions of Asdaf Real Estate Company L.L.C. but does not have control nor joint control over those policies. Hence, Asdaf is deemed as an associate of the Company.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Commercial Companies Law.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments and investment properties which are carried at fair value.

c) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Bahraini Dinar, which is the Group's functional and presentation currency. Except where otherwise stated, all financial information presented has been rounded off to the nearest Dinar.

2 *BASIS OF PREPARATION (continued)*

d) New standards, amendments and interpretations effective from 1 January 2019

The following standards, amendments and interpretations, which became effective as of 1 January 2019, are relevant to the Group:

(i) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019.

The adoption of this standard had no significant impact on the consolidated financial statements.

(ii) Long term interests in associates and joint venture (Amendments to IAS 28)

An amendment to IAS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment, which addresses equity-accounted loss absorption by LTI, involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.

In effect, this is a three-step annual process:

- Apply IFRS 9 independently
- True up past allocations
- Book current year equity share

The amendment applies for annual periods beginning on or after 1 January 2019.

The adoption of this amendment had no significant impact on the consolidated financial statements.

(iii) Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards

As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued the Annual Improvements to IFRS Standards 2015–2017 Cycle.

The amendments are effective for annual reporting periods beginning on or after 1 January 2019.

The following are the key amendments in brief:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

2 *BASIS OF PREPARATION (continued)*

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

- IFRS 11 – joint arrangement

Clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

- IAS 12 Income Taxes

Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

- IAS 23 Borrowing Costs

Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The adoption of these amendments had no significant impact on the consolidated financial statements.

e) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however; the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

(i) Amendments to References to Conceptual Framework in IFRS Standards

The main changes to the Framework's principles have implications for how and when assets and liabilities are recognised and derecognised in the financial statements.

Some of the concepts in the revised Framework are entirely new – such as the 'practical ability' approach to liabilities. As they have not been tested as part of any recent standard-setting process, it is unclear what challenges the Board will encounter when using them to develop standards in the future. It is also unclear what challenges preparers of financial statements will face after those future standards become effective.

The amendment applies for annual periods beginning on or after 1 January 2020.

2 BASIS OF PREPARATION (continued)

(ii) Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendment applies for annual periods beginning on or after 1 January 2020.

(iii) Definition of a Business – Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions. The amendment applies for annual periods beginning on or after 1 January 2020.

(iv) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non- monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

The effective date for these changes has now been postponed until the completion of a broader review – which the IASB hopes will result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. However, early adoption continues to be permitted.

f) Early adoption of standards

The Group did not early adopt new or amended standards in 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 **Bahraini Dinars**

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

a) Basis of consolidation

i. Subsidiaries:

Subsidiaries' are entity controlled by the Group. The Group 'controls' an entity if it is exposed to, 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 entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

ii. Non-controlling interests

NCI are measured at their appropriate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted as equity transactions.

iii. Associates:

An associate company is an enterprise in which the Company holds, directly or indirectly, more than 20% of the voting power or exercises significant influence, but not control, over the financial and operating policies. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

iv. Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

After initial recognition, investment property is carried at fair value. All fair value gains or losses are recognised in the profit or loss in the period in which they arise.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Properties under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the management considers whether the contract comprises:

- A contract to construct a property;
- A contract for the sale of a completed property

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage-of-completion method as construction progresses. Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses.

Continuous transfer of work in progress is applied when;

- The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer.
- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically when buyer cannot put the incomplete property back to the Group.
- In such situation, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

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

- Freehold rights for land;
- Amounts paid to contractors for construction including the cost of construction of infrastructure; and
- Planning and design costs, costs of site preparation, professional fees for legal services, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs to sale.

The cost of properties under development recognized in the consolidated income statement on sale is determined with reference to the specific costs incurred on the property sold and on allocation of any non-specific costs based on the relative size of the property sold.

d) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – equity security; or FVTPL.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on a security-by-security basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets – Subsequent measurement and gains and losses:

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity securities at FVOCI	These assets are subsequently measured at fair value. Gains and losses are recognised in OCI and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial liabilities
The Group classifies financial liabilities into other financial liabilities category.

(iii) Derecognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial assets and financials liabilities are offset and the net amount presented in the statement of the financial position when, and only when, the Group has the legal right to offset the amounts and intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

(iv) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group for which there are no other appropriate methods from which to derive fair value are carried at cost less impairment allowance.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

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

(v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

e) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

f) Receivables

Rent and other receivables are recognised at the lower of their original invoiced value or, where the time value of money is material, receivables are 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.

g) Cash and cash equivalents

Cash and bank balances in the consolidated statement of financial position comprise of cash on hand, cash at banks and Murabaha term deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of Murabaha term deposits with original maturity of more than three months, outstanding bank overdrafts and restricted bank accounts, if any.

h) Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

i) Wakala finance

Wakala finance are term borrowings obtained from commercial banks. After initial recognition, profit bearing loans and borrowings are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Profit is charged to the profit or loss as it accrues. Accrued profit is included in accruals in trade and other payables.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019 **Bahraini Dinars**

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Advance from tenants
Rent received in advance from tenants is recorded as a liability and recognised as rent revenue when the rent is due.

k) Tenant deposits
Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost where time value of money is material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

l) Provisions
A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

m) Impairment
(i) Non-financial assets
The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in the profit or loss.

(ii) Financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Credit-impaired financial assets

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

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

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

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

Notes to the Consolidated Financial Statements
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3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

n) Employees' end of service benefits
Pension rights (and other social benefits) for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under IAS 19 – Employee Benefits, is recognised as an expense in the profit or loss.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector 2012, based on length of service and final remuneration. Provision for this, which is unfunded and which represents a defined benefit plan under IAS 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the statement of financial position date. The charge for the year is recognised as an expense in the profit or loss.

o) 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 duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks. The following specific recognition criteria must be met before revenue is recognized.

Sale of properties
Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. For properties under development, customers obtain control when the completion certificate for the property is obtained by the Group in line with the terms and conditions of the contract. For completed properties, customers obtain control on handover of the property to the customer.

Rental income
Rental income receivable from operating leases, less the Group's initial direct costs of entering into leases, is recognised on a straight line basis over the lease term on ongoing leases.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such 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, the directors are reasonably certain that the tenant will exercise that option. Amounts received from tenants to terminate or to compensate of dilapidations are recognised in the profit or loss when they arise.

Interest income
Interest income is recognised as it accrues using the effective profit rate method.

p) Foreign currency translation
Transactions in foreign currencies are translated to Bahraini Dinars at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated into Bahraini Dinars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated using the exchange rate at the date of transaction.

The assets and liabilities of foreign operations are translated into Bahraini Dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit for the year.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or in the period of the revision and any future period, if the revision affects both current and future periods.

Estimates – Investment properties
An external, independent valuer, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property every year. The fair value of the investment property is based on determination of value in use of the cash generating unit principally using income capitalization approach.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

5. INVESTMENT PROPERTIES

	2019	2018
As at 1 January	57,615,530	59,155,839
Disposal of investment property	(2,486,702)	(10,000,000)
Transfer from properties under development (note 8)	2,260,067	8,425,480
	57,388,895	57,581,319
Fair value changes	(3,262,499)	34,211
As at 31 December	**54,126,396**	57,615,530

Investment property comprises of vacant plot of lands, residential and commercial properties leased to third parties.

The fair value of residential and commercial properties were determined by an external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement has been categorized as Level 3 fair value based on the inputs to the valuation technique of market and cost approach.

There have been no movements into or out of level 3 category.

Investment properties include one parcel of land under a long term lease arrangement. The lease has been fully paid and is for a minimum of 50 years.

Included in investment properties are certain plots of land and properties with a carrying value of BD 34,627,868 as at 31 December 2019 (2018: BD 28,417,149) mortgaged against the Group's wakala finance facilities (note 16). Fair value of the vacant plot of lands were determined by independent valuers using market comparables approach. The fair value measurement for the lands have been categorized as Level 2 fair value.

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For the year ended 31 December 2019 **Bahraini Dinars**

6. INVESTMENTS IN ASSOCIATES

The carrying amounts included in the consolidated statement of financial position represent the Group's share of net assets in associates as at 31 December and are as follows:

	2019	2018
As at 1 January	881,376	775,764
Share of (loss)/profit for the year	(292,113)	222,379
Dividends received during the year	-	(115,640)
Foreign currency exchange gain	-	(1,127)
As at 31 December	**589,263**	881,376

The following table illustrates the summarised financial information of the Group's major investment in associates as of 31 December on the basis of unaudited financial statements:

	31-Dec-19
	Sanbook
Current assets	257,308
Non-current assets	7,179,264
Current liabilities	(508,783)
Non-current liabilities	(4,595,712)
Net assets	2,332,077
Proportion of the Group's ownership	25%
Carrying amount of the investment	583,019
Loss	(1,168,452)
Group's share of loss for the year	**(292,113)**
Foreign currency exchange loss	-

	31-Dec-18
	Sanbook
Current assets	309,001
Non-current assets	8,839,829
Current liabilities	(5,623,327)
Net assets	3,525,503
Proportion of the Group's ownership	25%
Carrying amount of the investment	881,376
Profit	889,516
Group's share of profit for the year	222,379
Foreign currency exchange loss	1,127

6 INVESTMENTS IN ASSOCIATES (continued)

In 2008 the Group acquired a 25% interest in Al-Sanbook R.E. Co. ("Sanbook"). Sanbook was incorporated in May 2006 and is involved in the acquisition, sale and lease of investment properties in the United Arab Emirates.

Asdaf Real Estate Company LLC ("Asdaf") was incorporated in August 2009. The Group acquired a 50% interest in the company which is to be involved in the acquisition, sale and lease of investment properties. Investment in the associate is BD 1,493 (2018: BD 1,493). The company had not yet commenced operations.

The associates had no contingent liabilities or capital commitments as at 31 December 2019 or 31 December 2018.

7. INVESTMENT SECURITIES

	2019	2018
Equity securities		
At FVTOCI	488	488
	488	488

8. PROPERTIES UNDER DEVELOPMENT

	2019	2018
As at 1 January	11,892,144	18,397,308
Transfer to investment properties (note 5)	(2,260,067)	(8,425,480)
Cost recognized during the year	5,829,673	12,835,467
Borrowing costs capitalized	204,340	-
Cost of property sold	-	(10,915,151)
As at 31 December	**15,666,090**	11,892,144

Properties under development with a carrying value of BD 15,666,090 (2018: BD nil) are mortgaged under a wakala finance facilities (note 16).

9. RECEIVABLES AND OTHER ASSETS

	2019	2018
Receivable from buyers	553,858	2,040,255
Advance to contractors	1,177,925	686,485
Tenants receivables	146,071	139,334
Amounts due from related parties (note 19)	768,194	415,313
Security deposit	85,639	85,639
Other receivables	53,141	27,845
	2,784,828	3,394,871

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9 *RECEIVABLES AND OTHER ASSETS (continued)*

Tenant receivables are non-interest bearing and are normally settled on cash basis and are due on rental agreements. Unimpaired receivables are not past due and are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired			
	Total BD	*Neither past due nor impaired*	*30 – 60 days BD*	*60 – 90 days BD*	*90 – 120 days BD*	*>120 days BD*
2019	**146,071**	**26,601**	**24,194**	**24,194**	**16,449**	**54,634**
2018	139,334	23,667	12,265	11,703	91,699	-

10. CASH AND BANK BALANCES

	2019	2018
Restricted cash	350,000	-
Cash and bank balances	7,243,143	3,828,055
Cash and cash equivalent in statement of cash flows	**7,593,143**	3,828,055

11. SHARE CAPITAL

	2019	2018
Authorised:		
333,900,000 (2018: 333,900,000) ordinary shares of 100 fils (2018: 100 fils) each	33,390,000	33,390,000
Issued, subscribed and paid up	**33,390,000**	33,390,000

12. SHARE PREMIUM

This represents the balance transferred after setting off share issuance and restructuring expenses incurred by the Company from the amount of 5 fils received in excess of the face value of shares from the subscribers of share capital.

13. STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's article of association, 10% of the profit for the year has been transferred to a statutory reserve. The Company may resolve to discontinue such annual transfer 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019 **Bahraini Dinars**

14. GENERAL RESERVE

The general reserve, which represents funds set aside for the purpose of future capital expenditure and to enhance the capital base of the Group, is distributable.

15. RETAINED EARNINGS - NOT DISTRIBUTABLE

This represents the Group's share in the statutory reserves of its subsidiaries and is not available for distribution.

16. WAKALA FINANCE

	2019	2018
Wakala finance 1	9,999,410	11,665,983
Wakala finance 2	873,995	1,704,956
Wakala finance 3	10,000,000	-
	20,873,405	13,370,939
Less: current portion	(3,066,967)	(2,427,494)
Non-current portion	**17,806,438**	10,943,445

	2019		2018	
	Wakala finance	**Interest payable**	Wakala finance	Interest payable
As at 1 January	13,370,939	108,720	15,827,482	155,546
Interest accrued for the year	-	871,701	-	795,755
Additional finances	10,000,000	-	-	-
Paid during the year	(2,497,534)	(792,108)	(2,456,543)	(842,581)
As at 31 December	**20,873,405**	**188,313**	13,370,939	108,720

Wakala finance 1

The finance arrangement is secured by a first legal mortgage over certain lands and properties included in the Group's investment properties with a carrying value of BD 21,449,411 (2018: BD 23,619,412) (note 5). The loan carries a profit rate of Bibor plus 2.5% p.a. 50% of the principal amount is repayable in 16 equal quarterly instalments starting 31 January 2018 and the remaining 50% is repayable at final maturity date on 31 January 2022. Profit is payable on a quarterly basis and is expensed to the profit or loss as it accrues.

Wakala finance 2

The finance arrangement is secured by a first charge over certain land included in the Group's investment properties with a carrying value of BD 4,797,737 (2018: 4,797,737) (note 5). The loan carries a profit rate of 5% p.a. The principal amount is repayable in 60 equal monthly instalments starting from 15 January 2016 with final maturity date on 15 December 2020.

Wakala finance 3

The finance arrangement is secured by a first charge over certain building project included in the Group's investment properties with a carrying value of BD 8,380,720 (2018: nil) and included in properties under development of BD 15,666,690 (note 5 and 8). The loan carries a profit rate of 5.5% p.a. The principal amount is repayable in 19 equal monthly instalments starting from 28 February 2020 with final maturity date on 30 November 2030.

16 Wakala Finance (continued)

Finance charges incurred on Wakala finances have been included in profit or loss as follows:

	2019	2018
Wakala finance 1	600,083	687,257
Wakala finance 2	67,296	108,287
Bank charges	322	211
	667,701	795,755

17. PAYABLE TO SHAREHOLDERS

The balance represents an amount payable to a shareholder from the non-controlling interests of the subsidiaries (AlDhow Real Estate) for an amount of BD 6,139,193 (2018: BD 5,828,230). The payable is interest free and repayable on demand.

18. PAYABLES AND OTHER LIABILITIES

	2019	2018
Payable to contractors	1,241,231	2,254,323
Amounts due to a related party (note 19)	1,155,840	1,689,434
Current account with property manager	91,125	7,869
Accrued expenses	118,618	136,179
Accrued finance costs	188,313	108,720
Other liabilities	107,466	-
	2,902,593	4,196,525

Payables are non-interest bearing and are settled on 30 day terms.

19. RELATED PARTY TRANSACTIONS

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

Transactions with related parties included in the profit or loss are as follows:

- A entity related to a shareholder acts as the property manager for certain investment properties of the Group. During the year ended 31 December 2019, the Group incurred property expenses of BD nil (2018: BD 139,694) with this property manager for running the day-to-day operations, renewal of contracts and securing new tenants in relation to these properties.
- A shareholder also acts as a property manager on an investment property for the Group. During the year ended 31 December 2019, the Group incurred property expenses of BD 209,978 (2018: BD 215,899) with this property manager for running the day-to-day operations, renewal of contracts and securing new tenants in relation to these properties.

Balances receivable from related parties included in the consolidated statement of financial position amounted to BD 768,194 (2018: 415,313) (note 9)

19 Related party transactions (continued)

The balance payable to a related party included in the consolidated statement of financial position amounted to BD 1,155,840 (2018: 1,689,434) (note 18).

Outstanding receivable from related parties arise in the normal course of business and are interest free and unsecured. The Group only creates an allowance for impairment for related party balances where it is virtually certain the debt will not be recovered. For the year ended 31 December 2019, the Group has not recorded any impairment of amounts owed by related parties (2018: nil).

Compensation of key management personnel

Remuneration of directors and members of key management during the year amounted to BD 70,000 (2018: BD 70,000).

20. RISK MANAGEMENT

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

Market risk
Market risk is the risk that fair values of financial instruments will fluctuate because of changes in market prices. This comprises profit rate risk and currency risk.

Interest rate risk
The interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the market interest rates. The Group is not subject to significant interest rate risk on its interest bearing Wakala Finance.

Currency risk
Currency risk is the risk that the fair value or 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 Group mainly transacts its business in Bahraini Dinars and United Arab Emirates Dirhams which are all pegged to the United States Dollar, hence is not exposed to a significant currency risk.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk on its tenant and other receivables and cash and cash equivalents. Credit risk from cash and cash equivalents 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. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. With regards to amount due from related parties, management believes that they do not represent a significant credit risk.

20 *RISK MANAGEMENT (continued)*

As the Group has let out its properties to a large number of tenants, there is no significant concentration of credit risk. The Group seeks to limit its credit risk by determining payment terms and conditions in the lease agreement with the tenants and by monitoring and following up of overdue payments. Further, credit risk is managed by requiring tenants to pay rentals in advance.

The carrying amount of financial assets represent the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarizes the maturities of the Group's undiscounted financial liabilities, based on contractual payment dates and current market's interest rates.

2019	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Total***
Wakala finance	799,325	2,462,396	24,055,677	27,317,398
Payable to shareholders	6,139,193	-	-	6,139,193
Payable to contractors	610,694	94,939	535,598	1,241,231
Amounts due to related parties	530,840	625,000	-	1,155,840
Current account with property manager	91,125	-	-	91,125
Accrued finance costs	188,313	-	-	188,313
Total	**8,359,490**	**3,182,335**	**24,591,275**	**36,133,100**

2018	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Total*
Wakala finance	797,859	2,367,033	11,826,565	14,991,457
Payable to shareholders	5,828,230	-	-	5,828,230
Payable to contractors	1,755,093	-	499,230	2,254,323
Amounts due to related parties	1,090,116	-	599,318	1,689,434
Current account with property manager	7,869	-	-	7,869
Accrued finance costs	108,720	-	-	108,720
Total	9,587,887	2,367,033	12,925,113	24,880,033

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018. Capital comprises equity of the Group and is measured at BD 45,265,433 at 31 December 2019 (31 December 2018: BD 48,874,911).

21. FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance of risk.

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21 FAIR VALUES (continued)

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

- *Level 1:* Quoted market price (unadjusted) in an active market for an identical instrument.

- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair values of financial assets and financial liabilities carried at amortised cost approximate the carrying values as at the reporting date due to their short term nature.

22. FINANCIAL INSTRUMENTS BY CATEGORY

The classification of financial assets and liabilities by accounting categorization is as follows:

2019	Fair value through OCI	At amortised cost	Total carrying amount
Investment securities	488	-	488
Receivables & other assets	-	2,784,828	2,784,828
Cash and bank balances	-	7,593,143	7,593,143
	488	**10,377,971**	**10,378,459**
Payable & other liabilities	-	2,902,593	2,902,593
Employee end-of-service benefits	-	60,874	60,874
Advances from tenants	-	43,874	43,874
Wakala finance	-	20,873,405	20,873,405
Payable to shareholders	-	6,139,193	6,139,193
	-	**30,019,939**	**30,019,939**

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22 *FINANCIAL INSTRUMENTS BY CATEGORY (continued)*

2018	Fair value through OCI	At amortised cost	Total carrying amount
Investment securities	488	-	488
Receivables & other assets	-	3,212,199	3,212,199
Cash and bank balances	-	3,828,055	3,828,055
	488	7,040,254	7,040,742
Payable & other liabilities	-	4,196,525	4,196,525
Employee end-of-service benefits	-	58,476	58,476
Advances from tenants	-	9,032	9,032
Wakala finance	-	13,370,939	13,370,939
Payable to shareholders	-	5,828,230	5,828,230
	-	23,463,202	23,463,202

23. NON-CONTROLLING INTERESTS

The following table summarises the information related to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2019 *In BHD*	**Al Yal Seef Residence**	**Al Yal Real Estate**	**Urban Quarters**	**Intra-group eliminations**	**Total**
NCI percentage	50%	50%	50%		
Non-current assets	-	10,104,098	28,797	-	10,132,895
Current assets	470,059	24,921,405	715,169	-	26,106,633
Current liabilities	85,810	24,311,933	771,962	-	25,169,705
Net assets	**384,249**	**10,713,570**	**(27,996)**	**-**	**11,069,823**
Net assets attributable to NCI	**192,128**	**5,356,785**	**(13,998)**	**-**	**5,534,915**
Revenue	-	2,380,262	109,855	-	2,490,117
Profit	(750)	300,494	(110,360)	-	189,384
OCI	-	-	-	-	-
Total comprehensive income	**(750)**	**300,494**	**(110,360)**	**-**	**189,384**
Profit allocated to NCI	**(375)**	**150,247**	**(55,180)**	**-**	**94,692**
OCI allocated to NCI	**-**	**-**	**-**	**-**	**-**
Cash flows from operating activities	-	(641,135)	(6,493)	-	(647,628)
Cash flows from investing activities	-	(3,278,981)	(20,047)	-	(3,299,028)
Cash flows from financing activities (dividends to NCI: nil)	-	9,795,660	-	-	9,795,660
Net increase in cash and cash equivalents	**-**	**5,875,544**	**(26,540)**	**-**	**5,849,004**

23 *NON-CONTROLLING INTERESTS (continued)*

31 December 2018 *In BHD*	Al Yal Seef Residence	Al Yal Real Estate	Urban Quarters	Intra-group eliminations	Total
NCI percentage	50%	50%	50%		
Non-current assets	-	10,266,797	8,750	-	10,275,547
Current assets	461,648	14,874,251	680,687	-	16,016,586
Current liabilities	86,648	15,356,420	607,073	-	16,050,141
Net assets	375,000	9,784,628	82,364	-	10,241,992
Net assets attributable to NCI	187,500	4,892,314	41,182	-	5,120,996
Revenue	594,709	13,610,575	55,646	-	14,260,930
Profit	199,888	4,478,294	32,364	-	4,710,546
OCI	-	-	-	-	-
Total comprehensive income	199,888	4,478,294	32,364	-	4,710,546
Profit allocated to NCI	99,944	2,239,147	16,182	-	2,355,273
OCI allocated to NCI	-	-	-	-	-
Cash flows from operating activities	(997,767)	4,699,205	219,135	-	3,920,573
Cash flows from investing activities	10,000,000	(7,936,484)	(8,750)	-	2,054,766
Cash flows from financing activities (dividends to NCI: nil)	(9,002,233)	-	50,000	-	(8,952,233)
Net (decrease) / increase in cash and cash equivalents	-	(3,237,279)	260,385	-	(2,976,894)

24. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the date of consolidated statement of financial position but not provided for, relating to the Group, amounted to nil (2018: nil).

25. APPROPRIATIONS

The Board of Directors have proposed the following appropriations for the year 2019:

	2019	2018
Cash dividend proposed – 5 fils per share	1,669,500	1,669,500
	1,669,500	1,669,500