



2021 ANNUAL REPORT
FIRST REAL ESTATE COMPANY





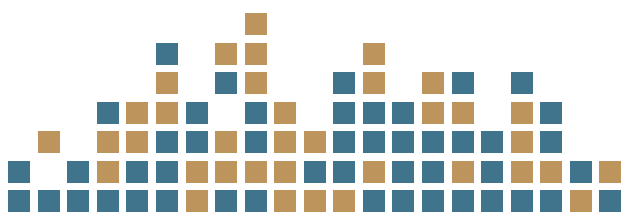
HIS HIGHNESS
SHAIKH SALMAN BIN HAMAD AL-KHALIFA
CROWN PRINCE
COMMANDER IN CHIEF OF BAHRAIN
DEFENCE FORCE

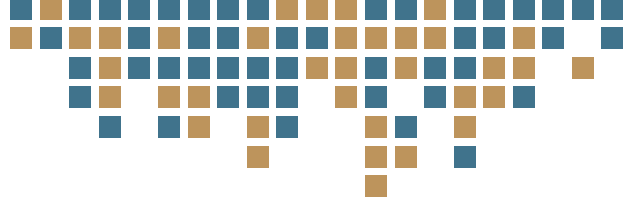


HIS MAJESTY
HM KING HAMAD BIN ISA AL KHALIFA
KING OF BAHRAIN



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



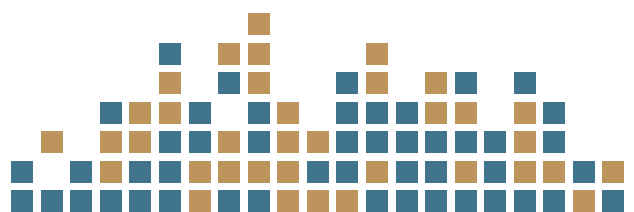
GERARD SNABIAN
BOARD MEMBER



MOHAMMED ABDULLAH ALHUBAIL
BOARD MEMBER

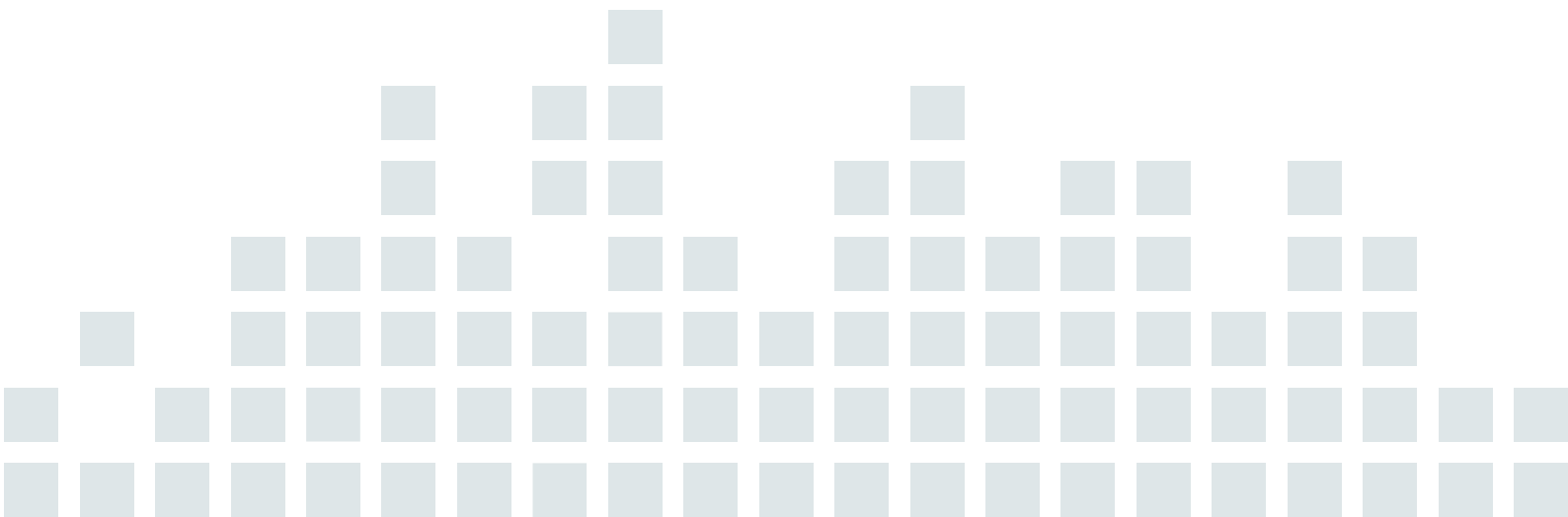
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CHAIRMAN'S MESSAGE



MESSAGE ON BEHALF OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Honorable Shareholders of First Real Estate Company

Peace be upon you

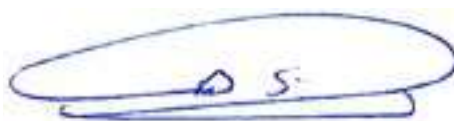
On my behalf and on behalf of the members of the board, it is my pleasure to welcome you and share the results of First Real Estate Company for the fiscal year ended on 31 December 2021.

The years 2020 and 2021 were challenging, not only for the company but the entire corporate landscape. The covid 19 epidemic proved to be a challenge not only in a medical sense, but financial and social as well. First Real Estate and through it's professional staff managed to create solutions that paved the way for the company to be in healthy financial position, whilst accommodating the needs of its substantial list of clients, as demonstrated in the financial presentation below.

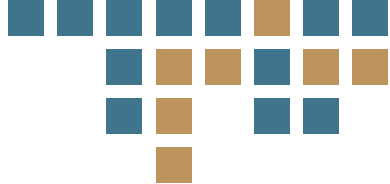
On the financial front, the assets of the company reached 83.1 million Bahraini Dinars at the end of 2021 in comparison with 80.6 million Bahraini Dinars at the end of 2020 with an increase of 3%. Whereas the shareholders equity of the parent company reached 49.9 million Bahraini Dinars at the end of 2021 in comparison with 46.9 million Bahraini Dinars at the end of 2020, an increase of 3 million Bahraini Dinars, or 6%.

As for the financial performance, the total revenues reached 4.7 million Bahraini Dinars in 2021 in comparison with 2.9 million Bahraini Dinars in 2020 (an increase of 62%) whereas the total expenses reached 1.7 million Bahraini Dinars in 2021 in comparison with 0.9 million Bahraini Dinars in 2020, an increase of 88% and this is mainly due to the expiry of the regulation postponing and writing off interests of the loans, in addition to subsidizing the cost of electricity and water for two months issued by the Government of Bahrain due to the Covid-19 epidemic. The parent company registered profits amounting 2.9 million Bahraini Dinars in 2021 in comparison with profits of 1.7 million Bahraini Dinars in 2020, with an increase of 70%.

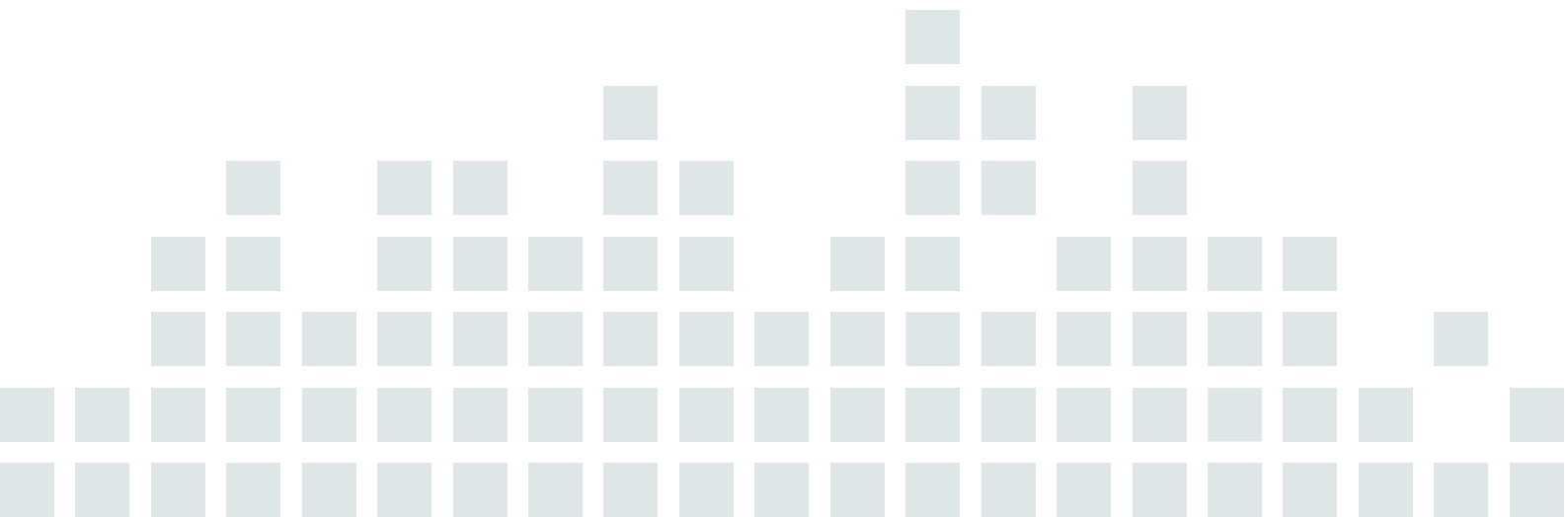
Ladies and gentlemen, First Real Estate Development Company shareholders;
Last but not least, I would like to present my sincerest appreciation and respect for your continuous support for our board and executive management and every employee at First Real Estate Co. I would like to renew my commitment to maintaining a positive performance at First Real Estate Company as well as dedicating all the necessary efforts and resources to achieve greater results for each of us in the coming years.

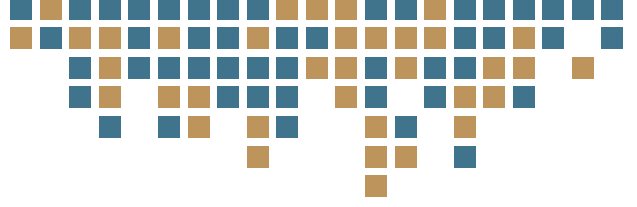


Mohammad Ibrahim Al-Farhan
Chairman of the Board of Directors



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:

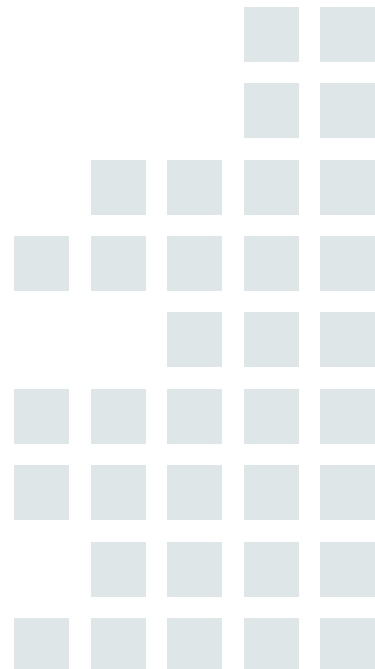
- Uncover hidden opportunities in the real estate sector
- Acquire new properties with appreciation potential
- Land trading and development
- Increase and enhance profitability of the existing properties
- Have well defined exit strategies for each property

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.

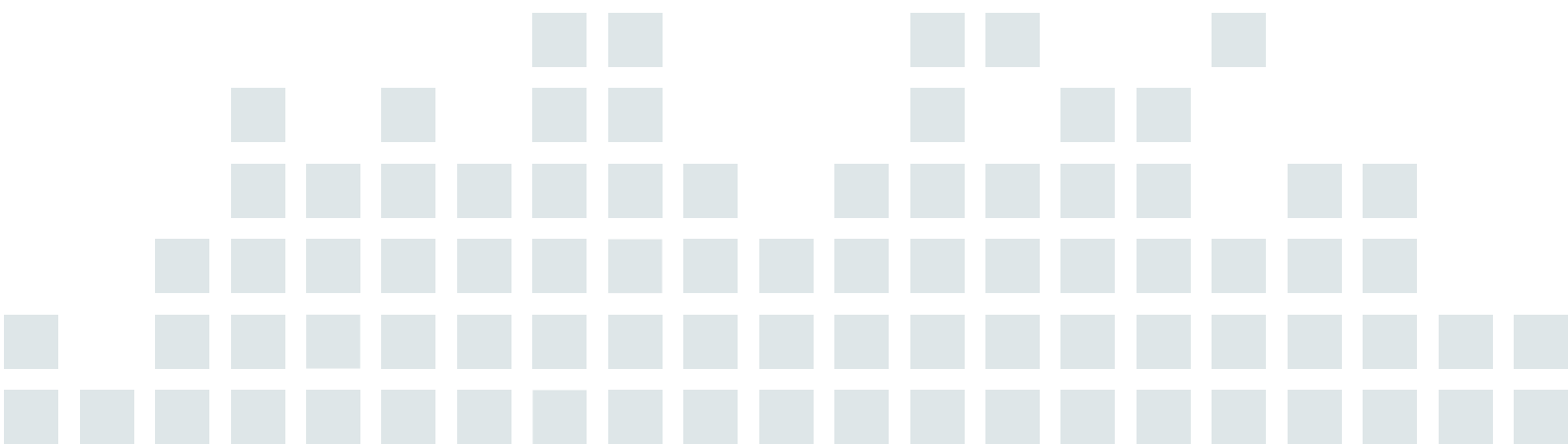
MISSION STATEMENT

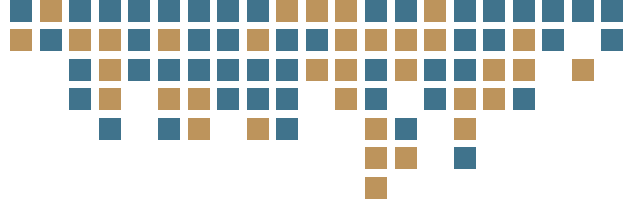
To optimize returns by providing high-quality, stable and secure real estate investment opportunities at low levels of risk and to maximize the value of real estate investments and projects that will be undertaken for the benefit of the shareholders, customers and employees by combining the appropriate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

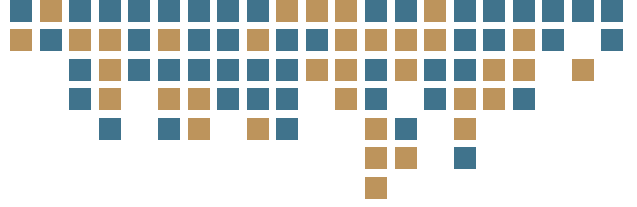
JUFFAIR COMPOUND 1

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

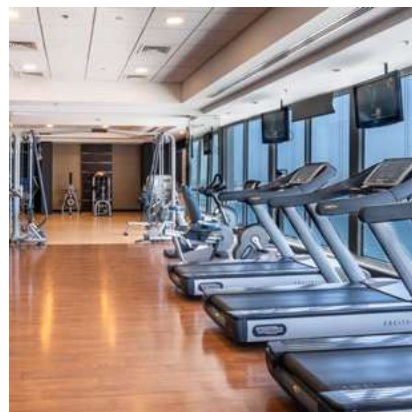
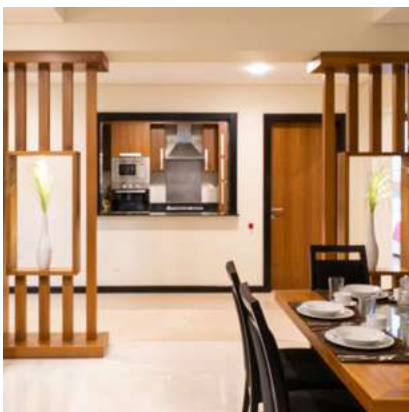
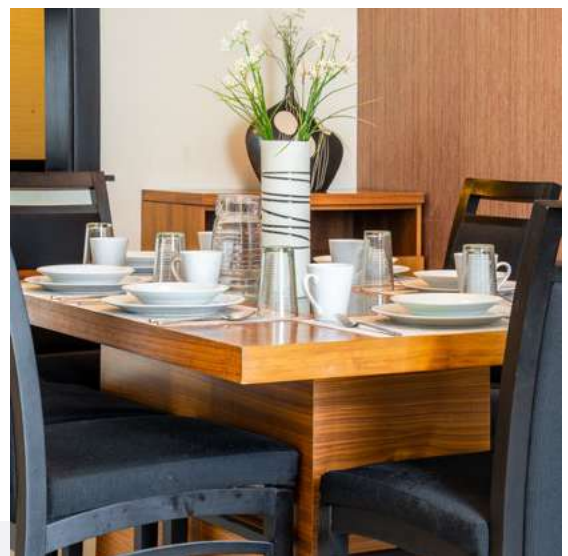
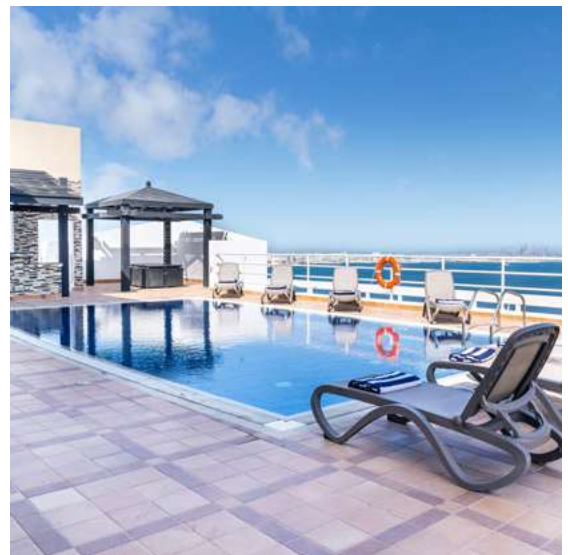
The compound is adjacent to Juffair Compound (1). The compound comprises of 22 fully furnished villas with a total area of approximately 300 square meters. Each villa features an independent external maid's quarter and a private swimming pool. The compound is leased.

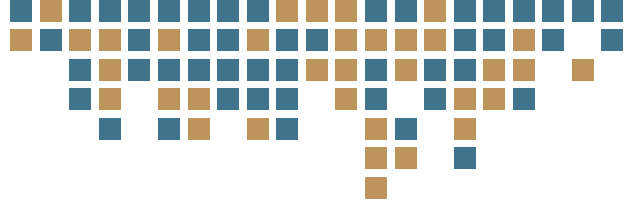


COMPANY'S PROJECTS

■ THE 100 RESIDENCE TOWER, JUFFAIR 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.





COMPANY'S PROJECTS

■ (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.

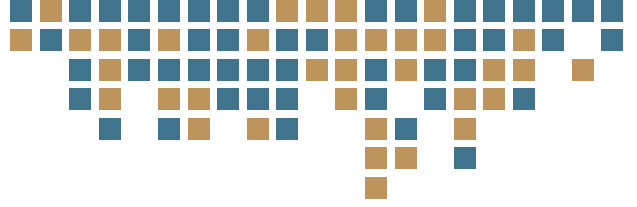
■ (G26) BAHRAIN INVESTMENT WHARF WAREHOUSES, AL HIDD AREA

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 parcels of land owned by the two companies at Al Seef area. The company began developing its largest project (Catamaran) 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. The company have sold most of the units in tower one, tower two was completed in the fourth quarter of 2020 and the company has started leasing the building in the first quarter of 2021.





COMPANY'S PROJECTS

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.

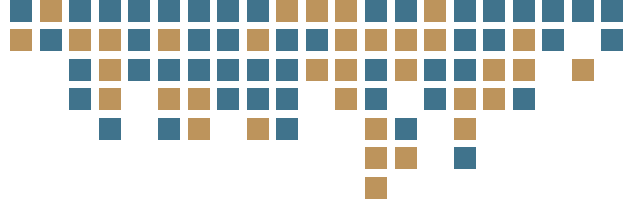
II. LAND TRADING AND DEVELOPMENT

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.





COMPANY'S PROJECTS

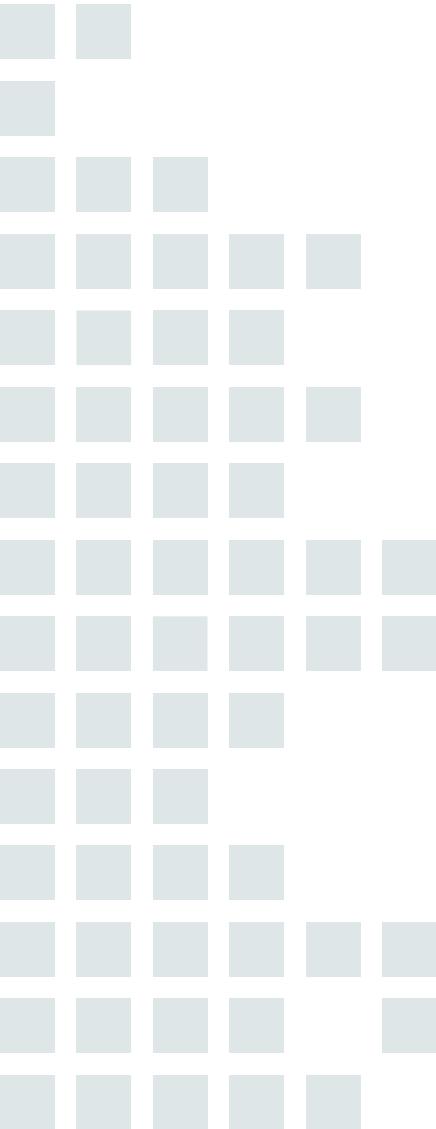
II. LAND TRADING AND DEVELOPMENT

■ 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.

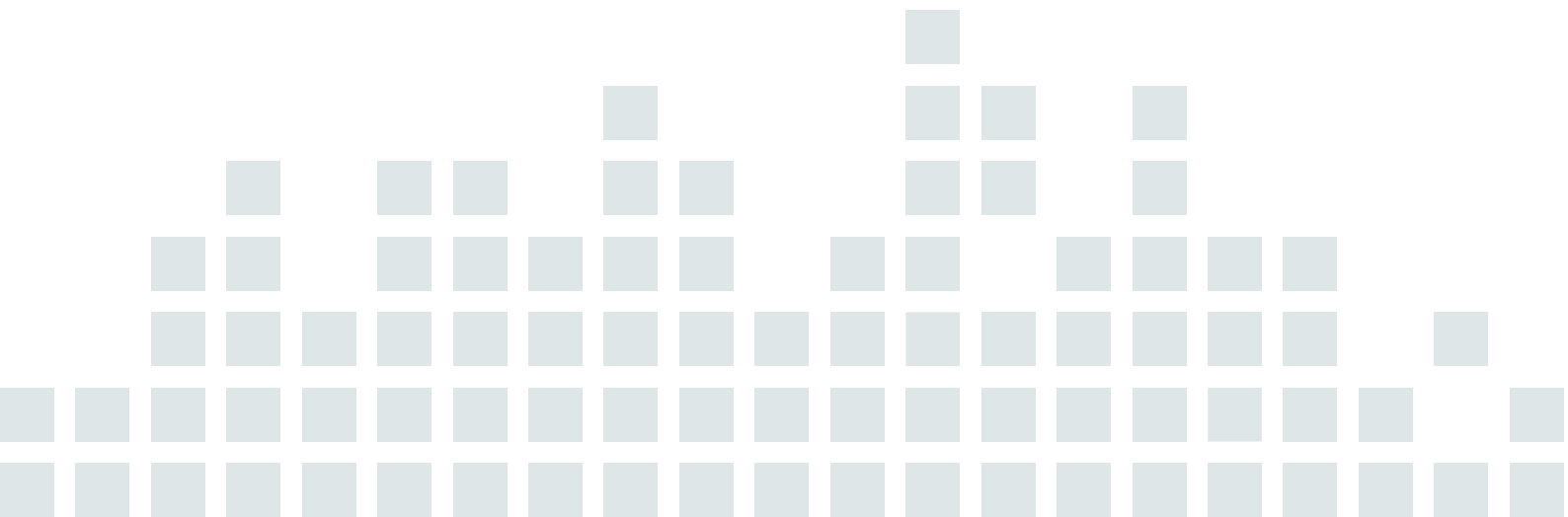
■ MARSALA SEEF - AL SEEF AREA

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 company has reached an agreement with Marsa Al Seef in the fourth quarter of 2021, resulting in the company receiving plots (in the project) replacing for its equity in Marsa Al Seef Company.





BAHRAINI ECONOMY PERFORMANCE



BAHRAINI ECONOMY PERFORMANCE

The economy of the Kingdom of Bahrain improved in 2021 consistent with the execution of the economic recovery plan aiming at building up new strategies that activates the role of important sectors to achieve inclusive economic development. Its positive influences appears to have accelerated the growth in the gross domestic product. The economic information unit of the Economist Magazine expects continued improvement in the economic performance in the year 2022.

DIAGRAM NO. (1)

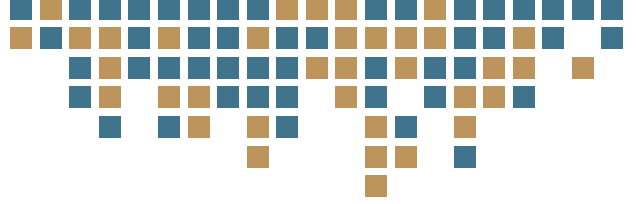
Bahrain's Gross Domestic Product and Real GDP Growth (2012-2021)



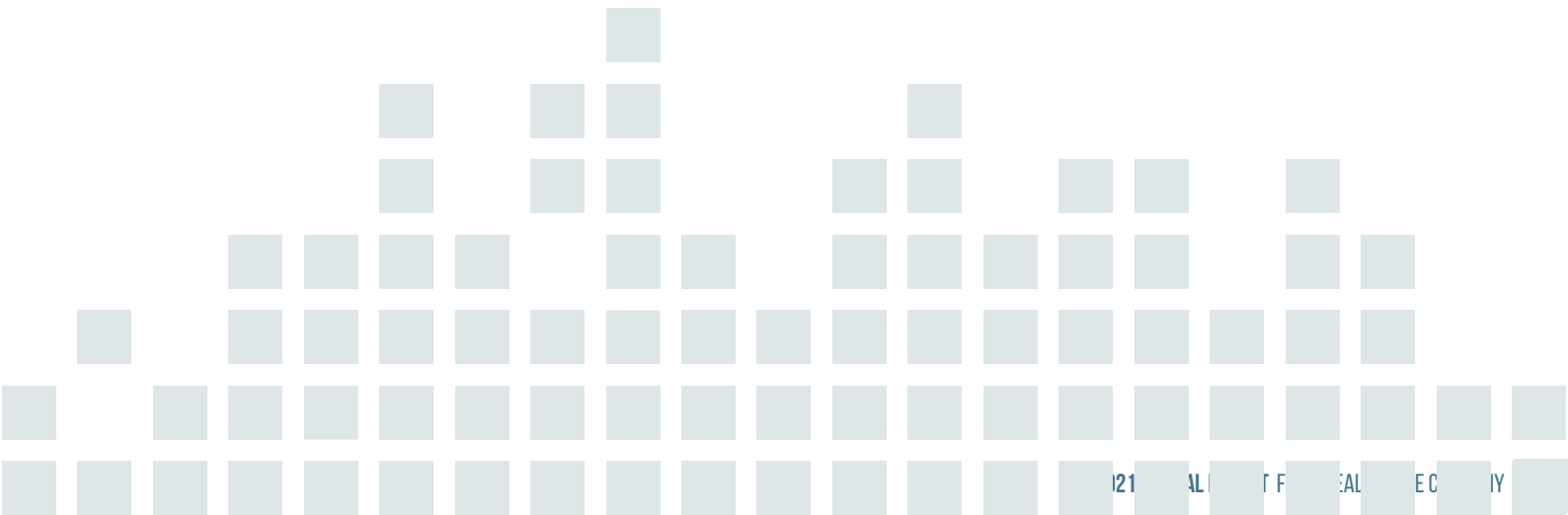
Bahrain achieved a real growth in the total of 2.1% in 2021 in comparison with the decrease of 5.1% in 2020 as per the figures of Information Unit for Economist Magazine and the Economist expects that the Bahraini economy to achieve a growth in 2022 of 3.4% and then it will reduce in 2023 to 1.6% and show a remarkable growth to 4.1% in 2024. The level of the central government balance deficit reduced from 12.2% of the total gross domestic product in 2020 to 3.7% in 2021 as per the estimations of Information Unit for Economist Magazine and it is expected that the deficit will be reduced to become 2.1% in 2022 and 3.0% in 2023. The EIU expects the reduction of the governmental debt volume as a percentage of the gross domestic product to reduce from about 134.6% in 2020 to 120.6% in 2021 and will continue to reduce to about 119.1% in 2022.

It is expected that the current account deficit begins reducing after it reaches about 3.245 billion US Dollars in 2020 to become about 1.913 billion US Dollars in 2021 and it will continue to reduce to the level of 1.049 billion US Dollars for 2022. It is expected that the foreign cash reserve will double, i.e from the level of 1.953 billion US Dollars in 2020 to about 3.860 billion US Dollars in 2021 and then it will rise in 2022 to about 5.018 billion US Dollars and again to about 5.269 billion US Dollars in 2023.

The EIU expects that the increase of the consumer price inflation rates after the reduction of about 0.5% in 2021 to be about 3.6% in 2022 and about 2.1% in 2023. It expects the increase of the individual's share from the total gross domestic product in 2021 with about 5.2% then a growth of about 3.0% in 2022 and the population growth rates will remain at about 1.9% for the same period.



INDEXES OF REAL ESTATE MARKET PERFORMANCE IN KINGDOM OF BAHRAIN



INDEXES OF REAL ESTATE MARKET PERFORMANCE IN KINGDOM OF BAHRAIN

As per the information available from the Information and Electronic Government Authority of the Kingdom of Bahrain in the third quarter of 2021, the sector of real estate activities and business services increased to about 19.7%, creating an estimated growth for the gross domestic product for the same period of about 22%. This in turn, rose the percentage of the real estate activity sector and the business services sector to about 5.3% and 5.4% in 2020 and 2021 respectively of the total gross domestic product. The sectors absolute value increased continually from 2012 to 2017 whereas it reduced from 2018 to 2020 achieving remarkable growth in 2021 and an annual accumulative growth for the period 2012 – 2021 reaching 4.1% in comparison with an annual accumulative growth for the total national gross domestic product growth reaching 3.7% for the same period.

The banking credit growth rates (for the governmental and private sector) continued achieving a growth rate of 4.7% in 2021 and the share of the construction and reconstruction activity from total banking credit reached about 18.4% within 2021 and the accumulative growth rate for the total loans for the period from 2012 to 2021 reached about 5.3% and 2.3% for the activity of construction and reconstruction for the same period.

As per the last information issued by Survey and Real Estate Registration Agency in the Kingdom of Bahrain as calculated by transaction value of the first quarter of 2021 (calculated annually), the liquidity of the real estate sector was estimated of about 907.3 million Bahraini Dinars in 2021 in comparison with about 717.4 million Bahraini Dinar in 2020, i.e with a remarkable increase of about 26.5% and this increase was due to the strong return of the Bahraini real estate market to the levels achieved before the epidemic and this helped especially in the huge efforts of the country to attract investors from around the world and its unique innovative initiatives for promoting tourism and attracting foreign employees. In general, the liquidity of the real estate market achieved an accumulative growth in the last ten years (2012 to 2021) of about 3.5%.

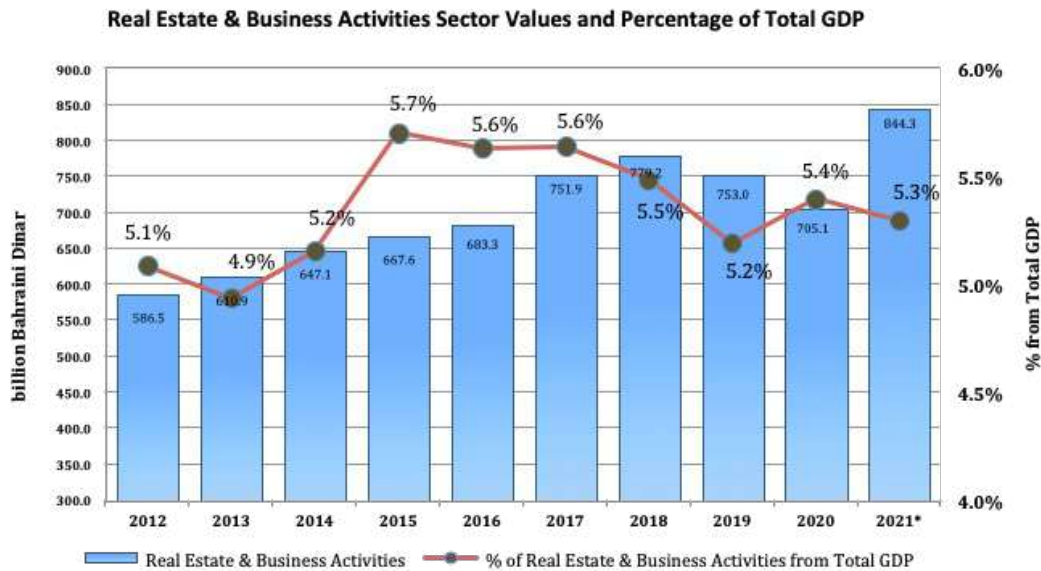
Value of Real Estate Deliberations	2016	% of Total	2017	% of Total	2018	% of Total	2019*	% of Total	2020	% of Total	2021	% of Total
Bahrainis	964,712	92.9%	905,363	91.4%	846,671	88.1%	722,026	89.7%	643,753	89.7%	846,972	93.4%
Gulfs	36,519	3.5%	33,675	3.4%	74,350	7.7%	45,076	5.6%	39,936	5.6%	17,274	1.9%
Foreigners	37,370	3.6%	51,596	5.2%	40,374	4.2%	37,832	4.7%	33,748	4.7%	43,017	4.7%
Total real estate deliberations	1,038,600	100%	990,634	100%	961,394	100%	804,934	100%	717,437	100%	907,263	100%

Source: Information of Survey and Real Estate Agency – Kingdom of Bahrain

Distributing the categories as per the nationality for 2019, 2020 and 2021 estimated.

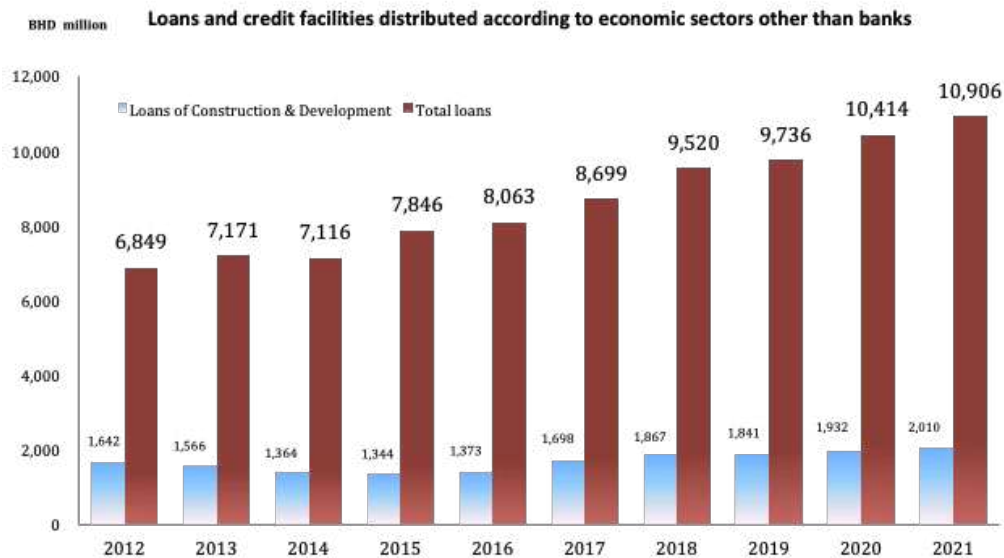
INDEXES OF REAL ESTATE MARKET PERFORMANCE IN KINGDOM OF BAHRAIN

DIAGRAM NO. (1)



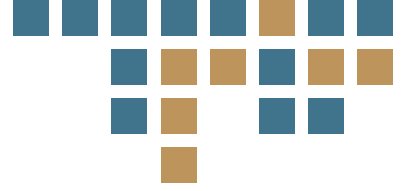
Source: Bahrain Central Bank

DIAGRAM NO. (2)

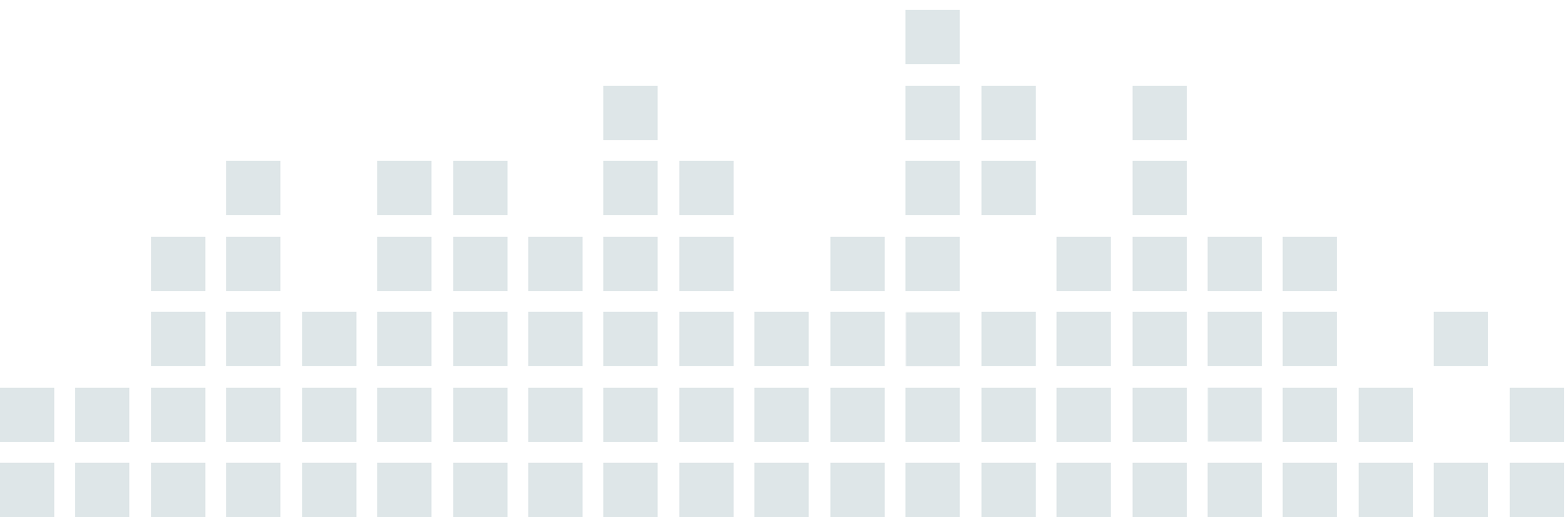


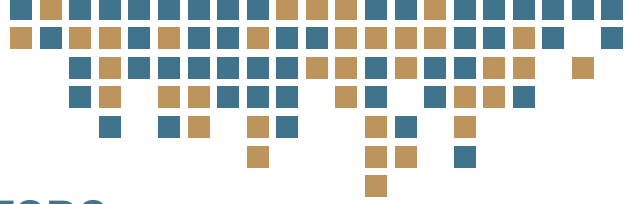
Source:

- Information and Electronic Government Authority.
- Information of 2021 based on Information and Electronic Government Authority – Kingdom of Bahrain.
- Economic Information Unit – Economist (First Quarter 2022)



CONSOLIDATED FINANCIAL STATEMENTS





REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting its report and the audited consolidated financial statements of First Real Estate Company B.S.C. (c) ('the Company') and its subsidiaries (together 'the Group') for the year ended 31 December 2021.

Principal activities

The Company and its subsidiaries are engaged in:

- Buying, selling, renting and operating of self-owned or leased real estate, such as:
 - apartment buildings and dwellings
 - non-residential buildings, including exhibition halls, self-storage facilities, malls and shopping centers
 - land
- Provision of homes and furnished or unfurnished flats or apartments for more permanent use, typically on a monthly or annual basis.
- Provision of real estate activities including real estate related services such as:
 - management of real estate
 - appraisal services for real estate.

Financial highlights

	2021 BD
Profit for the year	2,941,263
Total assets	82,973,971
Total equity	55,800,313

Representations and audit

The Group's activities for the year ended 31 December 2021 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 and other relevant statutes of the Kingdom of Bahrain.

Remuneration of Board of Directors

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent / Non-Executive Directors:													
1- Hamad Jasim AlSadoun	-	-	-	-	-	10,000	-	-	-	10,000	-	-	-
2- Hamad Abdulaziz Al Shaya	-	-	-	-	-	10,000	-	-	-	10,000	-	-	-
3- Mohamed Abdul Hameed Al- Marzooq	-	-	-	-	-	10,000	-	-	-	10,000	-	-	-
4- Gerard Snabian	-	-	-	-	-	10,000	-	-	-	10,000	-	-	-

REPORT OF THE BOARD OF DIRECTORS

Remuneration of Board of Directors (continued)

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
Second: Non-Executive / Non-Independent Directors:													
1- Mohammed Ibrahim Al Farhan	-	-	-	-	-	10,000	-	-	-	10,000	-	-	-
2- Abdulghaffar Abdulrahim Al Koheejji	-	-	-	-	-	10,000	-	-	-	10,000	-	-	-
3- Mohammed Abdullah Al Hubail	-	-	-	-	-	10,000	-	-	-	10,000	-	-	-
Total	-	-	-	-	-	70,000	-	-	-	70,000	-	-	-

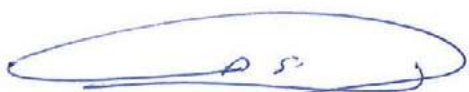
Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	-	-	-	-

The Group did not employ any members of executive management during the year ended 31 December 2021.

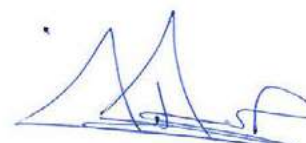
Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment, as auditors of the Company for the year ending 31 December 2022, will be submitted to the approval of the shareholders at the Annual General Meeting.

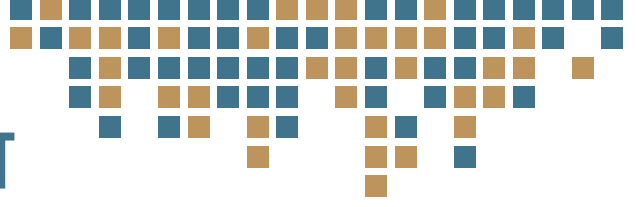
On behalf of the Board of Directors



Mohammed Ibrahim Al Farhan
Chairman



Hamad Jasim AISadoun
Vice Chairman



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS



Ernst & Young - Middle East
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Bahrain World Trade Centre
Manama
Kingdom of Bahrain

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Fax: +973 1753 5405
manama@bh.ey.com

C.R. No. 29977-1

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for opinion

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

Other information

Other information consists of the information included in the Report of the Board of Directors, set out on page 1 and page 2, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. 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, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS



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

Report on the Audit of the Consolidated Financial Statements

Responsibilities of Board of Directors for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS



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

Report on the Audit of the Consolidated Financial Statements

Auditors' responsibilities for the audit of the consolidated financial statements

- 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 Legal and Regulatory Requirements

1- As required by the Bahrain Commercial Companies Law, we report that:

- the Company has maintained proper accounting records and the financial statements are in agreement therewith
- the financial information contained in the director's report is consistent with the consolidated financial statements;
- we are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's memorandum of association during the year ended 31 December 2021 that might have had a material adverse effect on the business of the Group or on its consolidated financial position; and
- satisfactory explanations and information have been provided to us by management in response to all our requests.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS



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

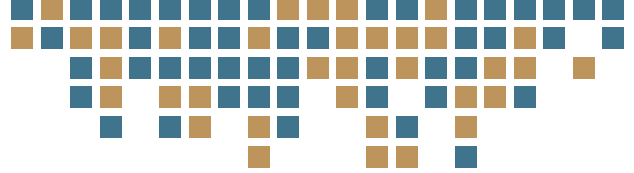
Report on Other Legal and Regulatory Requirements

2- As required by the Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company;

- has appointed a Corporate Governance Officer; and
- the Company has a Corporate Governance Code and procedures approved by the Board of Directors.

The signature 'Ernst & Young' is written in a black, cursive script font.

Auditors Registration No. 212
13 March 2022
Manama, Kingdom of Bahrain



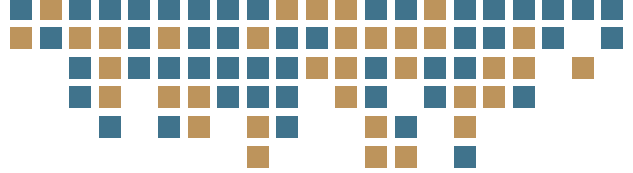
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 DECEMBER 2021

	Note	2021 BD	2020 BD
ASSETS			
Non-current assets			
Furniture, equipment and vehicles	5	214,534	241,706
Investment properties	6	71,025,330	74,455,060
Investment in associates	7	453,536	522,908
Investment securities		488	488
Security deposits		98,239	98,239
Receivable from buyers	8	61,153	-
		71,853,280	75,318,401
Current assets			
Accounts receivable and prepayments	8	3,970,927	1,133,564
Bank balances and cash	9	7,149,764	4,180,846
		11,120,691	5,314,410
TOTAL ASSETS		82,973,971	80,632,811
EQUITY AND LIABILITIES			
Equity			
Share capital	10	33,390,000	33,390,000
Share premium	11	27,241	27,241
Reserves		16,469,729	13,580,015
Equity attributable to owners of the Company		49,886,970	46,997,256
Non-controlling interests	24	5,913,343	5,861,794
Total equity		55,800,313	52,859,050
Non-current liabilities			
Term loans	15	18,486,281	17,389,795
Employees' end of service benefits		95,293	76,434
		18,581,574	17,466,229
Current liabilities			
Term loans	15	1,096,486	2,635,521
Payable to a shareholder	16	4,800,602	4,759,569
Accounts payable and accruals	17	2,075,640	2,623,502
Advances from buyers		551,349	254,883
Contract liabilities - advances		68,007	34,057
		8,592,084	10,307,532
Total liabilities		27,173,658	27,773,761
TOTAL EQUITY AND LIABILITIES		82,973,971	80,632,811

Mohammad Al Farhan
Chairman

Hamad Jasim AISadoun
Vice Chairman



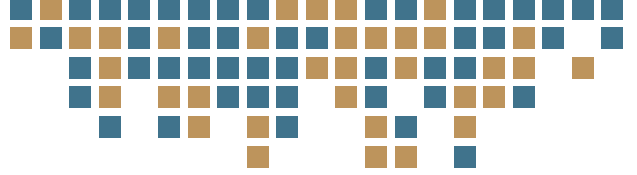
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 DECEMBER 2021

	Note	2021 BD	2020 BD
INCOME			
Rental revenue		3,748,736	3,483,220
Property operating expenses		(1,355,945)	(1,095,303)
Net rental income		2,392,791	2,387,917
Gain on sale of investment properties	6	351,488	139,930
Valuation (loss) gain on investment properties	6	(1,684,348)	235,070
(Loss) / gain on investment properties		(1,332,860)	375,000
Gain on settlement of investment	8	3,220,465	-
Management fee		240,482	201,915
Other income	19	212,136	55,679
Share of results of associates	7	(69,372)	(61,230)
Net operating income		4,663,642	2,959,281
EXPENSES			
Finance costs	20	(992,359)	(280,779)
Other expenses		(333,843)	(295,388)
Staff costs	21	(396,177)	(369,325)
Total expenses		(1,722,379)	(945,492)
PROFIT FOR THE YEAR		2,941,263	2,013,789
Profit attributable to:			
Owners of the parent		2,889,714	1,736,948
Non-controlling interests		51,549	276,841
		2,941,263	2,013,789

Mohammad Al Farhan
Chairman

Hamad Jasim AlSadoun
Vice Chairman

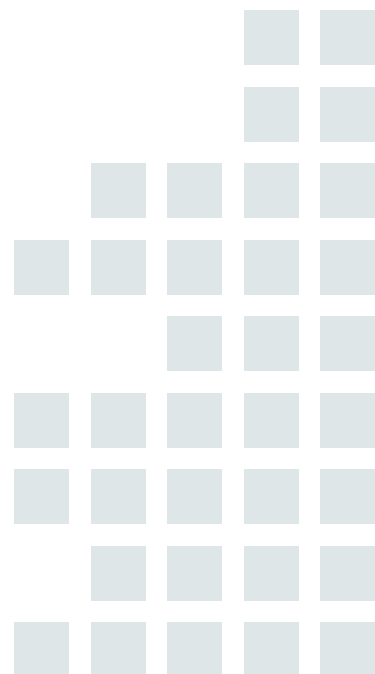


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As 31 DECEMBER 2021



	2021 BD	2020 BD
PROFIT FOR THE YEAR	2,941,263	2,013,789
Other comprehensive loss for the year: <i>(which may be reclassified to profit or loss in subsequent periods)</i>		
Foreign currency translation loss	-	(5,125)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,941,263	2,008,664
Attributable to:		
Owners of the parent	2,889,714	1,731,823
Non-controlling interests	51,549	276,841
	2,941,263	2,008,664



CONSOLIDATED STATEMENT OF CASH FLOWS

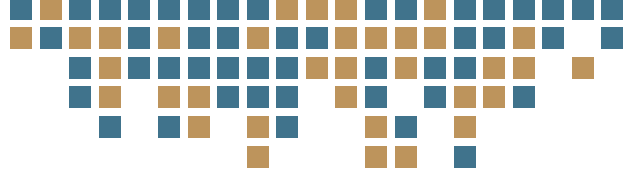
As 31 DECEMBER 2021

	Note	2021 BD	2020 BD
OPERATING ACTIVITIES			
Profit for the year		2,941,263	2,013,789
Adjustments for:			
Depreciation of furniture, equipment and vehicles	5	50,013	53,741
Changes in fair value of investment properties	6	1,684,348	(235,070)
Gain on sale of investment properties	6	(351,488)	(139,930)
Share of loss of associates	7	69,372	61,230
Interest expense on term loans		992,359	280,690
Interest income	19	(45,904)	(44,764)
Provision for employees' end of service benefits		24,763	18,177
Operating profit before working capital changes		5,364,726	2,007,863
Working capital changes:			
Accounts receivable and prepayments		(2,898,516)	1,647,547
Payable to a shareholder		41,033	(1,329,586)
Advances from buyers		296,466	160,361
Accounts payable and accruals		(1,533,712)	(573,808)
Contract liabilities - advances		33,950	(31,756)
Net cash from operating activities		1,303,947	1,880,621
Finance costs paid	22	(6,509)	(262,883)
Employees' end of service benefits paid		(5,904)	(2,617)
Net cash flows from operating activities		1,291,534	1,615,121
INVESTING ACTIVITIES			
Purchase of furniture, equipment and vehicles	5	(22,841)	(34,121)
Additions to investment properties		-	(4,815,182)
Proceeds from sale of investment properties		2,096,870	625,210
Interest income received		45,904	44,764
Net cash flows from (used in) investing activities		2,119,933	(4,179,329)
FINANCING ACTIVITY			
Term loans repaid and net cash flows used in financing activity	22	(442,549)	(848,089)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,968,918	(3,412,297)
Cash and cash equivalents at 1 January		3,830,846	7,243,143
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	6,799,764	3,830,846

Notes:

i) Borrowing costs capitalised during the year was nil (2020: borrowing costs of BD 276,910 has been excluded from additions to investment properties).

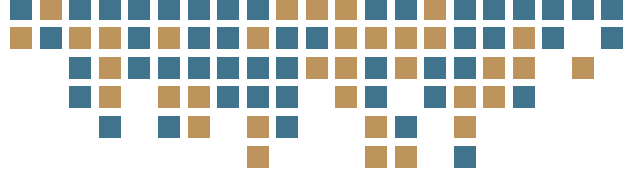
ii) Movement in unpaid finance cost of BD 985,850 (2020: BD nil) has been included in the movement of accounts payable and accruals.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As 31 DECEMBER 2021

	Equity attributable to equity holders of the parent						Equity attributable to the owners of the parent		Non-controlling interest	Total equity
	Share capital	Share premium	Statutory reserve	General reserve	Foreign Currency translation reserve	Retained earnings	to the parent	BD		
Balance at 1 January 2021	33,390,000	27,241	6,054,331	2,155,826	(13,064)	5,382,922	46,997,256	5,861,794	52,859,050	
Profit for the year	-	-	-	-	-	2,889,714	2,889,714	51,549	2,941,263	
Total comprehensive income for the year	-	-	-	-	-	2,889,714	2,889,714	51,549	2,941,263	
Transfer to statutory reserve	-	-	288,971	-	-	(288,971)	-	-	-	
Balance at 31 December 2021	33,390,000	27,241	6,343,302	2,155,826	(13,064)	7,983,665	49,886,970	5,913,343	55,800,313	
	Equity attributable to equity holders of the parent						Equity attributable to the owners of the parent		Non-controlling interest	Total equity
	Share capital	Share premium	Statutory reserve	General reserve	Foreign Currency translation reserve	Retained earnings	to the parent	BD		
Balance at 1 January 2020	33,390,000	27,241	5,880,636	2,155,826	(7,939)	3,819,669	45,265,433	5,534,915	50,800,348	
Profit for the year	-	-	-	-	-	1,736,948	1,736,948	276,841	2,013,789	
Other comprehensive loss for the year	-	-	-	-	(5,125)	-	(5,125)	-	(5,125)	
Total comprehensive (loss) income for the year	-	-	-	-	(5,125)	1,736,948	1,731,823	276,841	2,008,664	
Net adjustment in non-controlling interest	-	-	-	-	-	-	-	50,038	50,038	
Transfer to statutory reserve	-	-	173,695	-	-	(173,695)	-	-	-	
Balance at 31 December 2020	33,390,000	27,241	6,054,331	2,155,826	(13,064)	5,382,922	46,997,256	5,861,794	52,859,050	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

1 CORPORATE INFORMATION AND ACTIVITIES

First Real Estate Company B.S.C. (c) ("the Company") was incorporated in the Kingdom of Bahrain registered with the Ministry of Industry and Commerce and Tourism under commercial registration (CR) number 49288 on 10 September 2002. 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 office is Catamaran Tower, Building 3130, Road 4653, Block 346, Seef District, Kingdom of Bahrain.

The Group comprises of the Company and the following subsidiaries incorporated in the Kingdom of Bahrain and associate companies incorporated in the United Arab Emirates as at 31 December 2021 (2020: same).

Subsidiaries:

Company name	Percentage shareholding	Year of incorporation	Activity
<i>Al Yal Real Estate Company W.L.L</i>	<i>50%</i>	<i>2008</i>	<i>Real estate</i>
<i>Al Yal Seef Residence W.L.L</i>	<i>50%</i>	<i>2013</i>	<i>Real estate</i>
<i>Urban Quarters Co. W.L.L</i>	<i>50%</i>	<i>2017</i>	<i>Management of real estate</i>

The 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 these companies.

Associates:

Company name	Percentage shareholding	Year of incorporation	Activity
<i>Al-Sanbook R.E. Co. L.L.C.</i>	<i>25%</i>	<i>2006</i>	<i>Real estate</i>
<i>Asdaf Real Estate Company L.L.C.</i>	<i>50%</i>	<i>2009</i>	<i>Real estate</i>

The Company has a significant influence i.e. the power to participate in the financial and operating policies of Asdaf Real Estate Company L.L.C. but does not have control or joint control over those policies. Hence, Asdaf is classified as an associate of the Company.

The consolidated financial statements were approved by the Board of Directors on 8 March 2022.

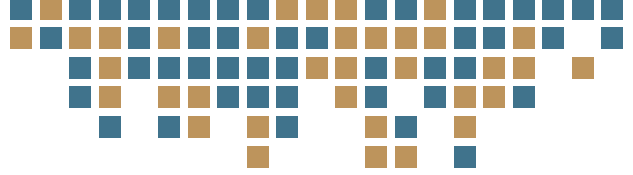
2 STATEMENT OF COMPLIANCE AND BASIS OF PREPERATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law.

Basis of preparation

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

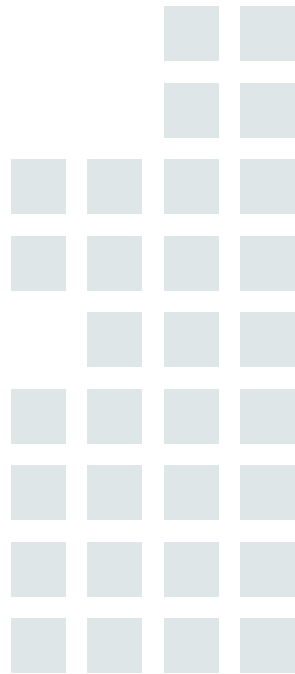
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

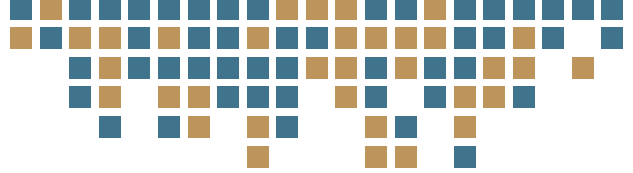
If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised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

New and amended standards effective as of 1 January 2021

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year, except for certain amendments to standards adopted by the Group as of 1 January 2021. The adoption of these amendments to the standards did not have any impact on the financial statements of the Group.

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR); and





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

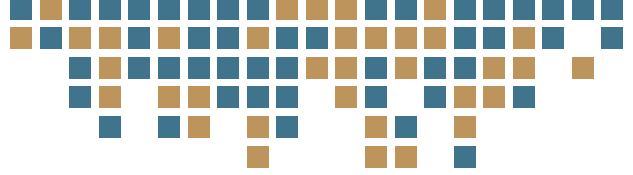
New and amended standards effective as of 1 January 2021 (continued)

- COVID-19-Related Rent Concessions - Amendments to IFRS 16: On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 June 2020. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements and which are reasonably expected to be relevant for the Company are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current: In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are applicable for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively;
- Amendments to IFRS 3: In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and to be applied prospectively;
- Amendments to IAS 16: In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before intended use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively;
- Amendments to IAS 37: In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are effective for annual reporting periods beginning on or after 1 January 2022;
- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities: As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9; the amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendment is effective for annual periods beginning on or after 1 January 2023; and



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

- Definition of Accounting Estimates - Amendments to IAS 8: The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendment is effective for annual periods beginning on or after 1 January 2023.

The Group is assessing the impact of these new standards and interpretations on the financial statements of the Group.

Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on a current/ non-current classification.

An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

The Group classifies all other liabilities as non-current.

Fair value measurement

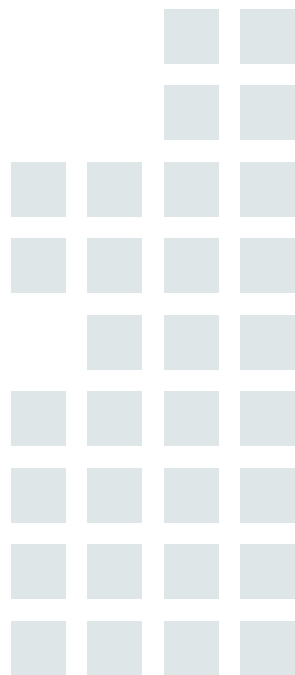
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes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

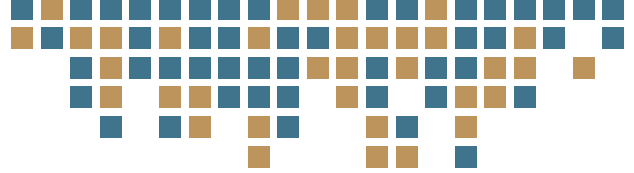
- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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

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





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

External valuers are involved for valuation of investment properties. Involvement of external valuers is decided upon annually by management. The selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

Furniture, equipment and vehicles

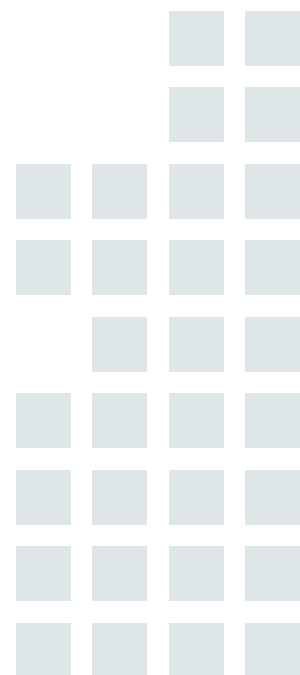
Furniture, equipment and vehicles are stated at cost less accumulated depreciation and any impairment in value.

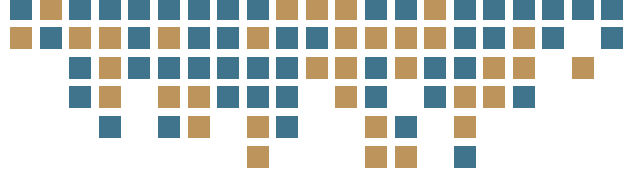
Expenditure incurred to replace a component of an item of vehicles, furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of furniture, equipment and vehicles. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

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

- Furniture and fixtures	6 years
- Equipment	4 years
- Vehicles	6 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. An item of furniture, equipment and vehicles is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the assets) is included in the consolidated statement of profit or loss in the year the asset is derecognised.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

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

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

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

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

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

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

The aggregate of the Group's share of profit or loss of associates are shown on the face of the consolidated statement of profit or loss.

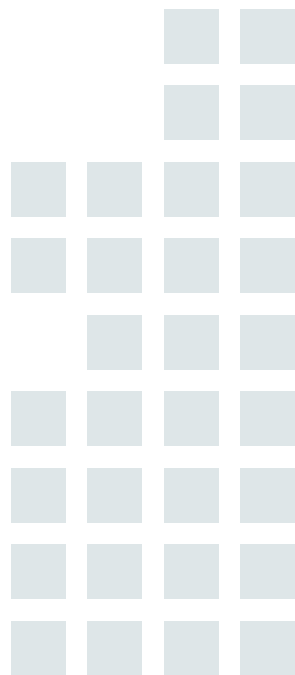
The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

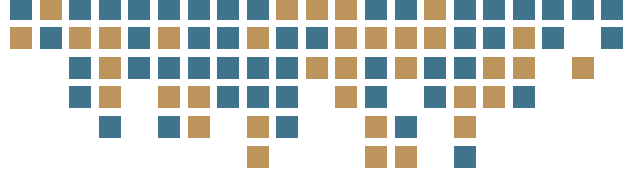
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in associate or joint venture is impaired.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

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

Investment properties

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





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Group's financial assets include tenant receivables, amount due from related parties, receivables from buyers, bank balances and deposits.

Initial recognition

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

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

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

Subsequent measurement

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

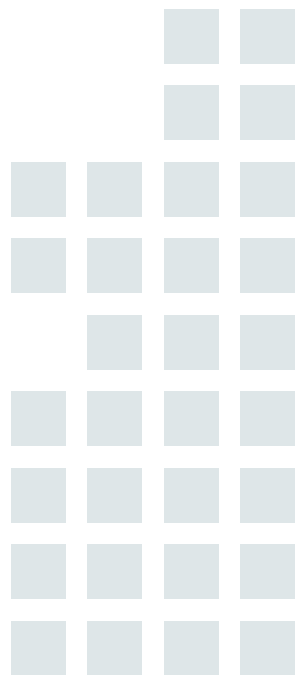
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);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

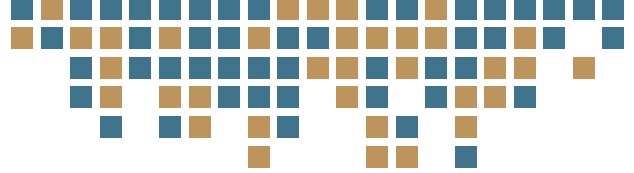
Financial assets at amortised cost (debt instruments)

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

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

Impairment of financial assets

The Group recognises a provision for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

Financial liabilities

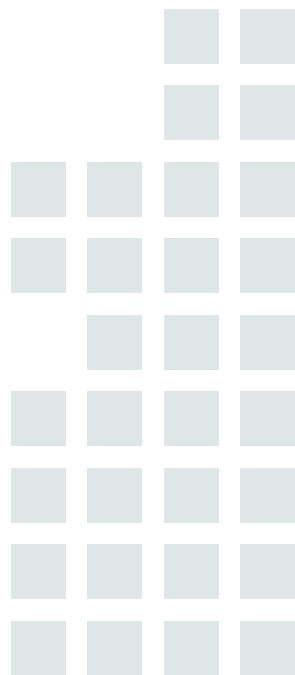
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

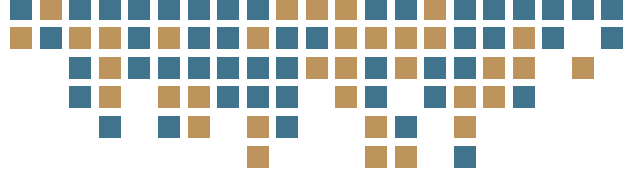
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include term loans, payable to contractors, amounts due to a related party and payable to a shareholder, which are measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Borrowing costs

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

Provisions

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

Employees' end of service benefits

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

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. 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 as described below, must also be met before revenue is recognised:

Rental revenue

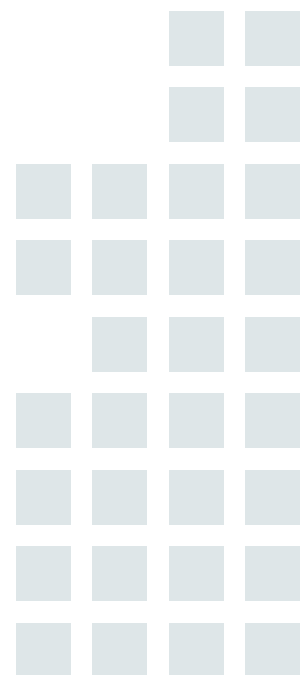
The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Rental income received in advance is recognized as unearned income and released to the consolidated statement of profit or loss over the lease period.

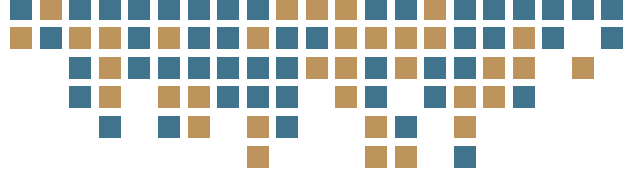
Management fee

Revenue from management of properties is recognised on an accrual basis.

Other income

Other income is recognised on an accrual basis when earned.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract. (i.e., transfers control of the related goods or services to the customer).

Foreign currencies

The Group's consolidated financial statements are presented in Bahraini Dinars ("BD"), which is the Group's functional currency and the currency of the primary economic environment in which the Group operates.

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

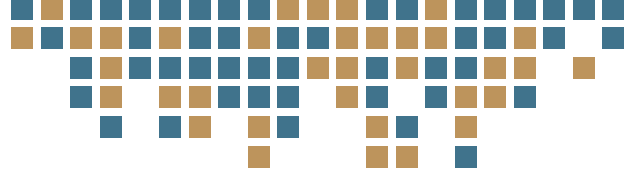
In the process of applying the Group's accounting policies, the Board of Directors has made the following judgements, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Judgements

Going concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast a significant doubt upon the Group's ability to continue as a going concern.

In particular, the Board of Directors has considered the impact of Coronavirus (COVID-19) on the Group's financial and non-financial assets and liabilities reported in the financial statements. The Board of Directors is monitoring the evolution of the COVID-19 pandemic and will continue to assess its impact going forward.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Property lease classification – Group as lessor

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

Estimates and assumptions

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

Estimate of fair value of investment properties

The fair value of investment properties are determined by independent real estate specialists using recognised valuation techniques. The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

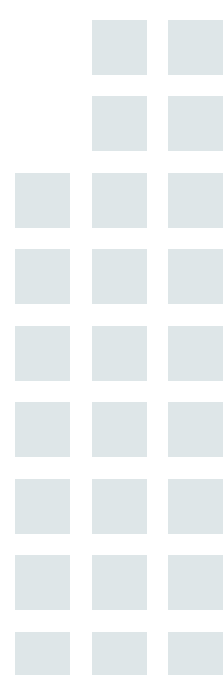
- a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- c) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

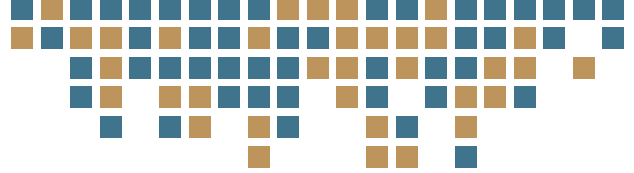
Useful lives of furniture, equipment and vehicles

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

Provision for expected credit loss

The Group recognises an allowance for expected credit losses (ECLs) for all its financial assets. There is no history of default and forward looking factors also do not indicate any default. Based on the assessment done by the Board of Directors, no allowance for expected credit losses has been recognised as of 31 December 2021 and as of 31 December 2020.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

5 FURNITURE, EQUIPMENT AND VEHICLES

2021

	<i>Vehicles</i> <i>BD</i>	<i>Furniture, fixture and equipment</i> <i>BD</i>	<i>Total</i> <i>BD</i>
<i>Cost:</i>			
At 1 January 2021	48,295	330,786	379,081
Additions	7,072	15,769	22,841
At 31 December 2021	<u>55,367</u>	<u>346,555</u>	<u>401,922</u>
<i>Depreciation:</i>			
At 1 January 2021	27,069	110,306	137,375
Charge for the year	4,568	45,445	50,013
At 31 December 2021	<u>31,637</u>	<u>155,751</u>	<u>187,388</u>
<i>Net carrying amount:</i>			
At 31 December 2021	<u>23,730</u>	<u>190,804</u>	<u>214,534</u>

2020

	<i>Vehicles</i> <i>BD</i>	<i>Furniture, fixture and equipment</i> <i>BD</i>	<i>Total</i> <i>BD</i>
<i>Cost:</i>			
At 1 January 2020	48,295	117,357	165,652
Additions	-	34,121	34,121
Transfers (note 6)	-	179,308	179,308
At 31 December 2020	<u>48,295</u>	<u>330,786</u>	<u>379,081</u>
<i>Depreciation:</i>			
At 1 January 2020	17,917	65,717	83,634
Charge for the year	9,152	44,589	53,741
At 31 December 2020	<u>27,069</u>	<u>110,306</u>	<u>137,375</u>
<i>Net carrying amount:</i>			
At 31 December 2020	<u>21,226</u>	<u>220,480</u>	<u>241,706</u>

6 INVESTMENT PROPERTIES

	<i>Land</i> <i>BD</i>	<i>Buildings</i> <i>BD</i>	<i>Total</i> <i>BD</i>
As at 1 January	4,130,101	70,324,959	74,455,060
Disposal of investment properties	-	(1,745,382)	(1,745,382)
Fair value changes - net	(38,710)	(1,645,638)	(1,684,348)
At 31 December 2021	<u>4,091,391</u>	<u>66,933,939</u>	<u>71,025,330</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

6 INVESTMENT PROPERTIES (continued)

	<i>Land BD</i>	<i>Buildings BD</i>	<i>Properties under construction BD</i>	<i>Total BD</i>
As at 1 January	4,283,638	49,842,758	15,666,090	69,792,486
Cost recognised during the year	-	-	4,815,182	4,815,182
Borrowing costs capitalised	-	-	276,910	276,910
Completed and transferred to buildings	-	20,758,182	(20,758,182)	-
Transfer to furniture, equipment and vehicles (note 5)	-	(179,308)	-	(179,308)
Disposal of investment properties	-	(485,280)	-	(485,280)
Fair value changes - net	(153,537)	388,607	-	235,070
At 31 December 2020	4,130,101	70,324,959	-	74,455,060

The Group's investment properties consist of vacant plots of land, residential and commercial properties leased to third parties in the Kingdom of Bahrain and the United Arab Emirates.

At 31 December 2021 and 31 December 2020, the fair values of the properties are based on valuations performed by independent surveyors. The surveyors are industry specialists in valuing these types of investment properties. The valuations undertaken are based on the comparable approach. The fair value measurement has been categorised as Level 3 fair value based on the inputs to the valuation technique of market and cost approach and comparables approach.

Fair value hierarchy disclosures for investment properties are provided in note 21.

Investment properties include one parcel of land under a 50 year lease arrangement. This lease has been fully paid. The properties constructed on this land have been sublet to the tenants and are hence classified as investment properties.

Investment properties include certain plots of land and buildings having carrying value of BD 5,856,430 as of 31 December 2021 (2020: BD 5,855,600) that are registered under the name of a shareholder, AlDhow Real Estate W.L.L. for the joint beneficial interest of the Group to the extent of 50% (2020: 50%).

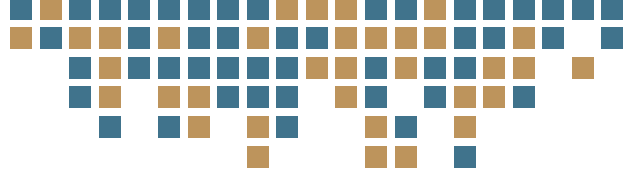
Included in investment properties are certain plots of land and properties having carrying value of BD 44,020,637 as at 31 December 2021 (2020: BD 55,368,499) mortgaged against the Group's term loan facilities (note 15).

During the year ended 31 December 2021, the Group sold investment properties with a net carrying value of BD 1,745,382 (2020: 485,280) for a cash consideration of BD 2,096,870 (BD 625,210), net of attributable expenses.

The resulting gain on disposals of BD 351,488 (2020: BD 139,930) is recognised in the consolidated statement of profit or loss.

Description of valuation techniques used and key inputs to valuation of investment properties:

	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>2021</i>	<i>2020</i>
Commercial properties	Comparable method	Rate per sqm (BD)	300 - 994	310 - 989
Residential properties	Comparable method	Rate per sqm (BD)	317 - 886	360 - 886
Land	Comparable method	Rate per sqm (BD)	221 - 647	215 - 646



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

7 INVESTMENTS IN ASSOCIATES

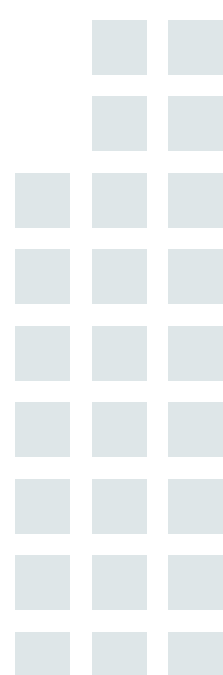
The carrying amounts included in the consolidated statement of financial position represent the Group's share of net assets in associates as at 31 December.

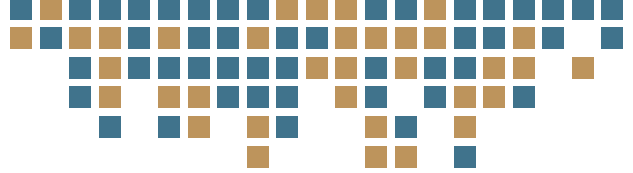
The following table illustrates the summarised financial information of the Group's major investment in associate as of 31 December on the basis of unaudited financial statements:

	<i>Sanbook</i>	
	<u>2021</u>	<u>2020</u>
	<i>BD</i>	<i>BD</i>
Current assets	68,006	114,726
Non-current assets	6,443,008	6,657,024
Current liabilities	(80,574)	(4,684,593)
Non-current liabilities	(4,620,771)	-
Net assets	<u>1,809,669</u>	<u>2,087,157</u>
	<i>Sanbook</i>	
	<u>2021</u>	<u>2020</u>
	<i>BD</i>	<i>BD</i>
Proportion of the Group's ownership	25%	25%
Carrying amount of the investment	<u>452,417</u>	<u>521,789</u>
Loss for the year	<u>(277,488)</u>	<u>(244,920)</u>
Group's share of loss for the year	<u>(69,372)</u>	<u>(61,230)</u>
Foreign currency exchange loss	-	(4,751)

In 2008 the Group had 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 Asdaf which is involved in the acquisition, sale and lease of investment properties. As of 31 December 2021 and 31 December 2020, carrying value of Group's investment in this associate was BD 1,119. Asdaf has not yet commenced operations.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021 BD	2020 BD
Tenant receivables	12,179	113,969
Amounts due from related parties (note 18)	196,595	668,455
Receivable from buyers	536,496	259,189
Prepayments	28,118	58,152
Other receivables	3,258,692	33,799
	4,032,080	1,133,564
Non-current portion of receivable from buyers	(61,153)	-
	3,970,927	1,133,564

Tenant receivables are non-interest bearing and are normally settled in cash. It is not the practice of the Group to obtain collateral over receivables.

Other receivables include BD 3,220,465 (2020: nil) due from an investee company as return of capital. In prior years the Group had made an investment in a real estate company which was considered impaired following uncertainties relating to the investee's development projects. On 26 December 2021, the investee company and the Group signed a settlement agreement pursuant to which the Group is entitled to receive 10 land plots with an aggregate value of BD 3,220,465 in full settlement of the original investment. The fair value of the land plots was determined based on independent professional valuations performed as of the reporting date. The agreement mandates the investee company to complete the legal formalities relating to the transfer of title to the land plots to the Group within a period of 12 months from the date of the agreement. As of the reporting date, the Group has recognised a receivable in respect of this with a corresponding gain being recognised in the consolidated statement of profit or loss.

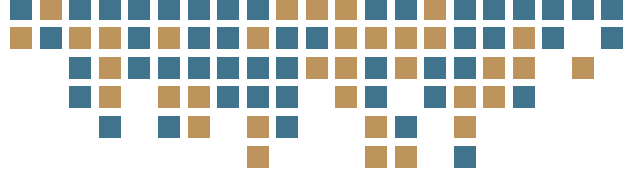
As at 31 December, the ageing of tenant receivables is as follows:

	Total BD	Current BD	Past due but not impaired	
			0-90 Days BD	91-120 Days BD
2021	12,179	-	-	12,179
2020	113,969	19,992	80,177	13,800

9 BANK BALANCES AND CASH

	2021 BD	2020 BD
Cash in hand	7,882	5,826
Bank balances - current accounts	1,636,535	2,867,091
Bank balances - saving accounts	5,505,347	1,307,929
Bank balance and cash	7,149,764	4,180,846
Restricted cash	(350,000)	(350,000)
Cash and cash equivalents	6,799,764	3,830,846

Bank balances are held in commercial banks in the Kingdom of Bahrain. Saving account balances earn interest rate of 1.25% to 1.40% (2020: same).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

10 SHARE CAPITAL

The Company's authorised, issued and paid-up share capital includes 333,900,000 ordinary shares of 100 fils each (2020: 333,900,000 ordinary shares of 100 fils each)

11 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.

12 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's memorandum of association, 10% of the profit for the year is required to be transferred to a statutory reserve until the reserve equals 50% of the paid up capital. During the year ended 31 December 2021, an amount of BD 288,971 (2020: 173,695) was transferred to the statutory reserve. The reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

13 GENERAL RESERVE

The general reserve, represents a voluntary reserve for the purpose of future capital expenditure and to enhance the capital base of the Group. The reserve is distributable at the discretion of the Group.

14 RETAINED EARNINGS

As of 31 December 2021, the Group's share in the statutory reserves of its subsidiaries that is not available for distribution was BD 126,618 (2020: BD 129,772).

The Board of Directors has proposed dividend of 5 fils per share totaling BD 1,669,500 relating to year ended 31 December 2021 which is subject to the approval of the shareholders at the Annual General Meeting (2020: no dividend was proposed).

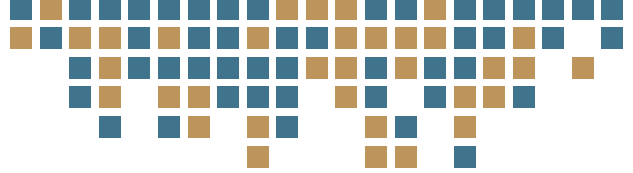
15 TERM LOANS

	2021	2020	2021	2020
	<i>Maturity</i>	<i>Maturity</i>	<i>BD</i>	<i>BD</i>
Loan 1	30 April 2024	31 October 2022	9,582,767	9,582,767
Loan 2	15 June 2021	15 June 2021	-	442,549
Loan 3	7 January 2032	31 August 2030	10,000,000	10,000,000
			19,582,767	20,025,316
Less: current portion			(1,096,486)	(2,635,521)
Non-current portion			18,486,281	17,389,795

These loans are availed from financial institutions in the Kingdom of Bahrain and denominated in Bahraini Dinars. These loans carry interest at 5% (2020: 5%).

The borrowings are secured by the Group's investment properties with carrying value of BD 44,020,637 (2020: BD 55,368,499) (note 6).

The borrowings have the requirement to meet certain financial and non-financial covenants and there was no instance of non-compliance with these covenants at the reporting date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

16 PAYABLE TO A SHAREHOLDER

The balance represents an amount payable to AIDhow Real Estate, a non-controlling interest shareholder. The payable is interest free and repayable on demand.

17 ACCOUNTS PAYABLE AND ACCRUALS

	2021 <i>BD</i>	2020 <i>BD</i>
Payable to contractors	279,419	1,012,932
Amounts due to a related party (note 18)	-	598,059
Accrued finance costs	1,468,879	483,029
Accrued expenses	240,801	422,099
Other liabilities	86,541	107,383
	<u>2,075,640</u>	<u>2,623,502</u>

18 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 Board of Directors.

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

Relationship	Nature	2021 <i>BD</i>	2020 <i>BD</i>
Shareholder	Property operating expenses	202,341	190,884

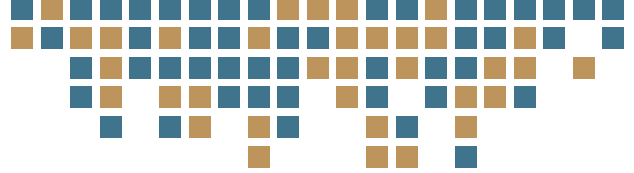
Balances receivable and payable from and to the related parties are as follows:

	2021		2020	
	<i>Receivable</i> <i>BD</i>	<i>Payable</i> <i>BD</i>	<i>Receivable</i> <i>BD</i>	<i>Payable</i> <i>BD</i>
Shareholders	196,595	4,800,602	668,455	5,357,628

Outstanding receivable from related parties arise in the normal course of business and are interest free and unsecured. As of 31 December 2021 and 31 December 2020, the Group has not recorded any provision for expected credit losses for amounts owed by related parties as the historical and the perceived risk of loss is minimal.

Compensation of key management personnel

Remuneration of Board of Directors during the year was BD 70,000 (2020: BD 70,000). The Group does not have any other key management personnel during the years ended 31 December 2021 and 31 December 2020. Management fee charged by a related party during the year ended 31 December 2021 amounted to BD 100,000 (2020: BD 100,000) which has been included in other expenses in the consolidated statement of profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

19 OTHER INCOME

	2021	2020
	BD	BD
Accruals no longer required written back	104,000	-
Interest income	45,904	44,746
Miscellaneous	62,232	10,933
	212,136	55,679

20 FINANCE COSTS

This represents interest expense on term loans at interest rate of 5% (2020: 5%). During the year end 31 December 2020, finance cost capitalised amounted to BD 276,910.

21 STAFF COSTS

	2021	2020
	BD	BD
<i>Staff costs</i>		
Wages and salaries	284,991	293,268
Employees' end of service benefits	24,763	35,559
Other employee benefits	86,423	40,498
	396,177	369,325

22 RISK MANAGEMENT

Introduction

The Group manages risks through a process of ongoing identification and monitoring of the risks it faces. The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance.

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 term loans as they are availed at fixed interest rates.

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, both of which are all pegged to the United States Dollar, hence the Group 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 receivables, amount due from related parties, receivables from buyers, bank balances and deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

22 RISK MANAGEMENT (continued)

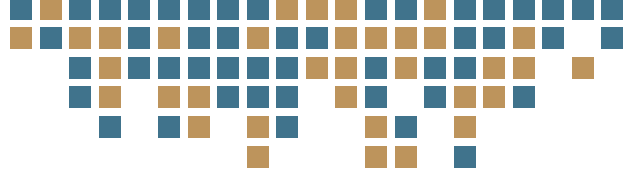
Credit risk (continued)

The Group seeks to limit its credit risk with respect to tenant receivables 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. With regards to amount due from related parties, management believes that they do not represent a significant credit risk. The Company seeks to limit its credit risk related to bank balances by placing funds with reputable financial institutions. As the Group has let out its properties to a large number of tenants, there is no significant concentration of credit risk. 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:

	On demand BD	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	Over 5 years BD	Total BD
2021						
Term loans	-	-	2,960,287	15,091,993	7,516,263	25,568,543
Payable to shareholders	4,800,602	-	-	-	-	4,800,602
Payable to contractors	-	279,419	-	-	-	279,419
Total	4,800,602	279,419	2,960,287	15,091,993	7,516,263	30,648,564
2020						
Term loans	-	1,549,239	2,315,395	12,115,663	8,898,074	24,878,371
Payable to shareholders	4,759,569	-	-	-	-	4,759,569
Payable to contractors	-	1,012,932	-	-	-	1,012,932
Amounts due to a related party	-	598,059	-	-	-	598,059
Total	4,759,569	3,160,230	2,315,395	12,115,663	8,898,074	31,248,931



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

22 RISK MANAGEMENT (continued)

Changes in liabilities arising from financing activities

	<i>As at 1 January 2021 BD</i>	<i>Payments BD</i>	<i>As at 31 December 2021 BD</i>
Term loans	<u>20,025,316</u>	<u>(442,549)</u>	<u>19,582,767</u>
	<i>As at 1 January 2020 BD</i>	<i>Payments BD</i>	<i>As at 31 December 2020 BD</i>
Term loans	<u>20,873,405</u>	<u>(848,089)</u>	<u>20,025,316</u>

Investment property price risk

Investment property price risk is the risk that the fair values of investment properties decrease as a result of the decline in property prices in the real estate market. The investment property price risk exposure arises from the Group's holding of investment properties. Investment property risk is managed by diversification of the portfolio of properties by geography and type.

An increase of 10% in the value of investment properties, with all other variables held constant, will result in increase in Group's profit for the year by BD 7,102,533 (2020: BD 7,445,506). The effect of decrease in the value of investment properties is expected to be equal and opposite to the effect of the increase.

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.

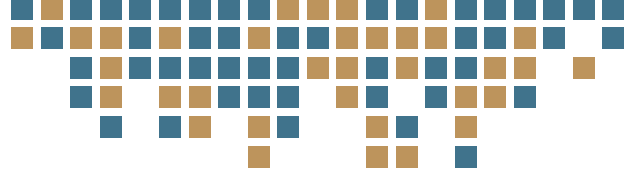
The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020. Capital comprises equity of the Group and is measured at BD 49,886,970 at 31 December 2021 (31 December 2020: BD 46,997,256).

23 FAIR VALUE MEASUREMENT

Financial assets consist of tenant receivables, amount due from related parties, receivables from buyers, bank balances and deposits. Financial liabilities consist of term loans, amounts due to a related party, payable to contractors and payable to a shareholder.

The Company's investment properties with a carrying value of BD 71,025,330 (2020: BD 74,455,060) falls within Level 3 of the fair value hierarchy.

During the year ended 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurements.



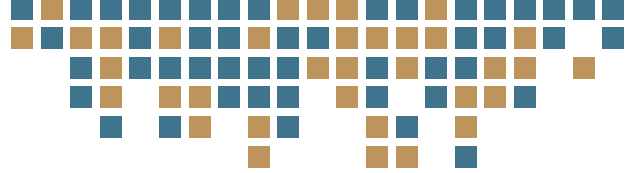
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

24 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 2021	<i>Al Yal Seef Residence BD</i>	<i>Al Yal Real Estate BD</i>	<i>Urban Quarters BD</i>	<i>Total BD</i>
NCI percentage	50%	50%	50%	
Non-current assets	-	28,995,448	17,392	29,012,840
Current assets	380,871	3,802,731	500,863	4,684,465
Non-current liabilities	-	9,755,133	10,781	9,765,914
Current liabilities	3,229	11,525,946	582,215	12,111,390
Net assets (deficiency of assets)	377,642	11,517,100	(74,741)	11,820,001
Net assets (deficiency of assets) attributable to NCI	188,821	5,758,550	(37,371)	5,910,000
Revenue	-	683,488	296,877	980,365
Profit (loss)	-	213,239	(110,139)	103,100
Total comprehensive income (loss)	-	213,239	(110,139)	103,100
Profit (loss) allocated to NCI	-	106,620	(55,070)	51,550
Cash flows (used in) from operating activities	-	(438,663)	179,586	(259,077)
Cash flows from investing activities	-	2,074,255	-	2,074,255
Net increase in cash and cash equivalents	-	1,635,592	179,586	1,815,178



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

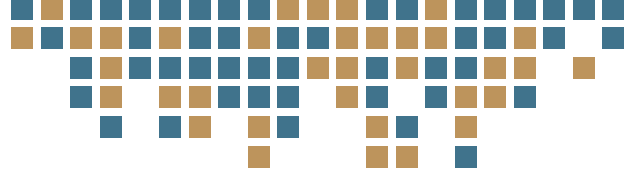
24 NON-CONTROLLING INTERESTS (continued)

<i>31 December 2020</i>	<i>Al Yal Seef Residence BD</i>	<i>Al Yal Real Estate BD</i>	<i>Urban Quarters BD</i>	<i>Total BD</i>
NCI percentage	50%	50%	50%	
Non-current assets	-	29,655,089	21,746	29,676,835
Current assets	470,058	2,962,926	320,458	3,753,442
Non-current liabilities	-	11,826,637	4,938	11,831,575
Current liabilities	85,810	9,487,517	301,868	9,875,195
Net assets	384,248	11,303,861	35,398	55,137,047
Net assets attributable to NCI	192,124	5,651,931	17,699	5,861,754
Revenue	-	343,555	249,051	592,606
Profit (loss)	-	590,287	(36,605)	553,682
Total comprehensive income (loss)	-	590,287	(36,605)	553,682
Profit (loss) allocated to NCI	-	295,144	(18,303)	276,841
Cash flows (used in) from operating activities	-	(50,387)	46,606	(3,781)
Cash flows used in investing activities	-	(4,236,977)	(230)	(4,237,207)
Cash flows used in financing activities	-	(106,181)	-	(106,181)
Net increase in cash and cash equivalents	-	(4,393,545)	46,376	(4,347,169)

25 COMPARATIVE FIGURES

Certain previous year figures have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net results.

	<i>Previously reported BD</i>	<i>Reclassi- fication BD</i>	<i>As reported herein BD</i>
Accounts receivable and prepayments	1,231,803	(98,239)	1,133,564
Security deposits (non-current asset)	-	98,239	98,239



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 DECEMBER 2021

24 NON-CONTROLLING INTERESTS (continued)

<i>31 December 2020</i>	<i>Al Yal Seef Residence BD</i>	<i>Al Yal Real Estate BD</i>	<i>Urban Quarters BD</i>	<i>Total BD</i>
NCI percentage	50%	50%	50%	
Non-current assets	-	29,655,089	21,746	29,676,835
Current assets	470,058	2,962,926	320,458	3,753,442
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Net assets	384,248	11,303,861	35,398	55,137,047
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Net increase in cash and cash equivalents	-	(4,393,545)	46,376	(4,347,169)

25 COMPARATIVE FIGURES

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	<i>Previously reported BD</i>	<i>Reclassi- fication BD</i>	<i>As reported herein BD</i>
Accounts receivable and prepayments	1,231,803	(98,239)	1,133,564
Security deposits (non-current asset)	-	98,239	98,239

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