

# Strengthened Presence

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Annual Report 2020

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**His Royal Majesty**  
**King Hamad bin Isa Al Khalifa**  
The King of the Kingdom of Bahrain



**His Royal Highness**  
**Prince Salman bin Hamad Al Khalifa**  
The Crown Prince and Prime Minister  
of the Kingdom of Bahrain

# Administration and Contact Details

<b>COMMERCIAL REGISTRATION NUMBER</b>	44344 obtained on 8th November 1999
<b>REGISTERED OFFICE</b>	P.O. Box 20084 Manama, Kingdom of Bahrain
<b>CHAIRMAN</b>	Mr. Essa Mohamed Najibi
<b>VICE-CHAIRMAN</b>	Dr. Mustafa Ali Al Sayed
<b>CHIEF EXECUTIVE OFFICER</b>	Mr. Ahmed Yusuf
<b>BOARD OF DIRECTORS</b>	Mr. Essa Mohamed Najibi - Chairman Dr. Mustafa Ali Al Sayed - Vice-Chairman Mr. Sattam Sulaiman Al Gosaibi - Director Mr. Fuad Ali Taqi - Director Mr. Yusuf Ahmed Al Hammadi - Director Mr. Abduljalil Mohamed Janahi - Director Mr. Hesham Jaffar Al Rayyes - Director Mrs. Eman Mustafa Al Murbati - Director Mr. Mohamed Ebrahim Al Bastaki - Director Mr. Hamed Yousef Mashal - Director
<b>BANKERS</b>	Bank of Bahrain and Kuwait B.S.C. Ahli United Bank (Bahrain) B.S.C. Kuwait Finance House (Bahrain) B.S.C.(C) Bahrain Islamic Bank B.S.C. National Bank of Bahrain B.S.C. Al Salam Bank B.S.C. Ithmaar Bank B.S.C.(C)
<b>REGISTRARS</b>	Bahrain Clear B.S.C.(C) P.O. Box 3203 Kingdom of Bahrain
<b>AUDITORS</b>	Ernst & Young P.O. Box 140 Kingdom of Bahrain



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## Board of Directors



The members of the Board of Directors, who are elected at the Annual General Meeting, provide their experience and expertise to establish the management framework and oversee the operations of the Company.



From left to right

1. Mr. Yusuf Ahmed Al Hammadi, Director
2. Mr. Hesham Jaffar Al Rayyes, Director
3. Mr. Hamed Yousef Mashal, Director
4. Dr. Mustafa Ali Al Sayed, Vice-Chairman
5. Mrs. Eman Mustafa Al Murbati, Director
6. Mr. Essa Mohamed Najibi, Chairman
7. Mr. Abduljalil Mohamed Janahi, Director
8. Mr. Fuad Ali Taqi, Director
9. Mr. Mohamed Ebrahim Al Bastaki, Director
10. Mr. Sattam Sulaiman Al Gosaibi, Director

## Chairman's Statement

A black and white portrait of a middle-aged man with a beard and mustache, wearing a dark suit, white shirt, and striped tie. He is standing with his hands clasped in front of him, looking slightly to the right of the camera. The background is a plain, light-colored wall.

Despite the various challenges arising in 2020, the Company has managed to maintain the momentum of its mall operational activities throughout the year, thereby contributing to the revitalization of the retail sector.

**Essa Mohamed Najibi**  
Chairman

The Company recorded a net profit attributable to shareholders amounting to **BD 4.52 million.**

Net Profit

**4.52**

Million Bahraini Dinars

**Dear Esteemed Shareholders,**

On behalf of Seef Properties' Board of Directors, I would like to express my gratitude and appreciation for your unwavering confidence in Seef Properties B.S.C. ("**Company**").

It is with great pleasure that I present to you the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2020, with an overview of the Company's overall performance throughout the preceding year and our vision for the future.

2020 has been an exceptional year by all standards that witnessed a rapid turn of events due to the global outbreak of the Coronavirus (COVID-19) pandemic. The rippling effect of this pandemic caused negative repercussions and unprecedented damage to global economies across the world. The Company was not exempt from these unfavorable conditions and witnessed the adverse effects in all its vital sectors, including real estate, retail, hospitality and entertainment.

The retail, hospitality and entertainment sectors continue to be amongst the most affected largely due to the disruption of tourism and the near cessation of movement into the Kingdom because of the closure of all travel ports, in addition to the ban imposed in several countries around the world.

**Key Indicators**

The Company recorded a net profit attributable to shareholders amounting to BD 4.52 million, a decrease of 58.59% compared to the year 2019. The Company's revenues in 2020 decreased by 32.38%, reaching BD 12.35 million compared to BD 18.26 million in 2019. Accordingly, the Board of Directors decided to submit a recommendation to the General Assembly of distributing cash dividends of 5%, equivalent to BD 2.3 million to the shareholders.

## Chairman's Statement Continued

Main Financial Results (Million Bahraini Dinars)	2020	2019
Revenues	<b>12.35</b>	18.26
Operating Profit	<b>10.40</b>	15.13
Net Profit Attributable to Shareholders	<b>4.52</b>	10.93
Total Assets	<b>173.28</b>	174.32
<b>Total Shareholder's Equity</b>	<b>152.17</b>	154.54

The Company's strategic priorities during the preceding year focused on limiting the financial and operational losses to the fullest possible extent and taking advantage of any opportunities that may arise from this crisis, whilst taking all necessary measures to ensure the health and safety of clients, tenants and visitors. Despite the various challenges arising in 2020, the Company has managed to maintain the momentum of its mall operational activities throughout the year, thereby contributing to the revitalization of the retail sector.

Furthermore, construction works at the all new Al Liwan Project in the Northern Governorate is progressing in accordance with the preset plans and without delay, and this project will soon include the set-up of the largest family entertainment center in the Kingdom. Additionally, the Company continues to further explore other potential opportunities to revive the hospitality and entertainment sectors.

Throughout 2020, the Board of Directors issued a set of measures and resolutions aimed at boosting the confidence of our tenants, most notably the launch of a fund exceeding BD 1.5 million to support tenants across our malls. This is a testament to the Company's belief in the importance of sustaining the vital role played by national companies supporting the economy of the Kingdom of Bahrain in such conditions, particularly the retail sector. The initiative also emphasizes the Company's solid commitment towards all its tenants, who are the heart and core of its business, and are pivotal in the sustainability of future growth opportunities.

The Company takes pride in becoming one of the first national companies to contribute to the "Feena Khair" campaign launched by His Highness Shaikh Nasser bin Hamad Al Khalifa, Representative of His Majesty the King for Humanitarian Works and Youth Affairs, National Security Advisor and Chairman of the Royal Humanitarian Fund Board of Trustees, as part of the national efforts to combat the COVID-19 pandemic.

I would like to take this opportunity to express my sincere appreciation and gratitude to the directives of our wise leadership, led by His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, and to the esteemed Government, the National Taskforce to Combat COVID-19 and Team Bahrain, headed by His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, for their unwavering commitment to the health and safety of all members of society, providing laudable economic and financial stimulus initiatives to citizens and private sector institutions.

These sincere efforts have placed Bahrain at the forefront of countries in the fight against this global pandemic, garnering widespread global praise from its counterparts and international health and economic organisations as a result of its masterful management of this crisis.

As a result of the wise leadership's long-term vision, its robust management of the crisis and the instrumental economic stimulus packages introduced, all of which served to curb the repercussions of the pandemic on the Kingdom's GDP. The national economy is now better positioned to make substantial recoveries in due course.

### Hopes for Recovery

We hope that 2021 will witness economic recovery, as the Company's strategy during this year will shift focus from managing and operating commercial malls to establishing multi-purpose projects that meet the needs and aspirations of the market and its modern residential, commercial and entertainment requirements, which in turn will contribute to maximizing the revenues to our esteemed shareholders and enhancing confidence, credibility and sustainability in the Company's operations and activities.

The Company will also endeavor in 2021 to diversify its investment portfolio through exploring innovative projects, which will positively contribute to the Kingdom's national economy considering the changing realities. Through this carefully managed approach, the Company will continue its pivotal role in supporting and contributing to the growth of the local economy, without compromising on full and strict adherence with all directives and decisions issued for the protection of the health and safety of citizens and residents.

### New Horizons

2021 will witness the opening of Al Liwan Project in Hamala, which is developed through our joint venture company, Lama Real Estate W.L.L. The multi-purpose state-of-the-art-project will become a luxurious real estate icon blending a modern aesthetic with the unique Bahraini heritage, with stunning green landscapes that will place the project at the forefront of distinctive destinations for all, including Bahraini families, residents and tourists.

We remain optimistic that economic and commercial life will steadily return to their original state vouching for the tremendous efforts exerted by the authorities in Bahrain, placing Bahrain amongst the global leaders in the roll-out of national vaccination campaigns against COVID-19.

We hope that 2021 will be the year of transformative change, where the challenges of 2020 are turned into opportunities and the gains preserved and strengthened through the heralding of more investment opportunities in the real estate sector.

Last but not least, and on behalf of the Company's Board of Directors, staff members and shareholders, I would like to express my sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, the Government of the Kingdom of Bahrain, and all ministries, institutions and officials who have provided immeasurable support to the Company over the years to become a leading national institution and critical contributor to the economy of the Kingdom of Bahrain.

I would also like to express my appreciation to all the shareholders and our partners for their steadfast partnerships with us, which contribute to drawing the features of remarkable success stories in the real estate, retail, hospitality and entertainment sectors, and enable us to continue on the path of development and innovative thinking to preserve our previous achievements and accomplish more ambitious projects in 2021.

**Essa Mohamed Najibi**  
Chairman

# Chief Executive Officer's Report



Seef Properties seeks to redefine the concept of real estate development by introducing a mixed-use project that meets all of the market's entertainment, residential, commercial, and tourism needs.

**Ahmed Yusuf**  
Chief Executive Officer

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The initiative of the tenants' support fund that was provided by Seef Properties came as an integral part of the Company's national responsibility towards Team Bahrain and The National Taskforce for Combating the Coronavirus.

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**Dear Shareholders,**

It is with great pleasure that I present to you the Annual Report for Seef Properties B.S.C. for the year 2020.

Despite the negative impacts that were imposed by the outbreak of the Coronavirus (Covid-19) pandemic, which affected all sectors of the global economy, the Company was able to continue implementing its integrated strategic vision to preserve its operations in its main sectors of work.

This includes growing the Company's base of development initiatives, to ensure cementing its position in the local market.

We take pride in the sound decisions taken by the Board of Directors, to whom we owe this achievement to, which was attained through balanced business strategies put forth and dealing with market challenges proactively.

In the retail sector, our malls were able to maintain a good operational flow throughout the past year and overcome various difficulties faced by the industry due to Covid-19.

They maintained steady footfall rates, reaching their peak during the last quarter of 2020, with relatively high occupancy rates. Seef Properties' success is attributable to its long-term partnerships with its clients, both tenants and shoppers.

Our malls remained open to shoppers throughout the past year, continuing to provide a unique shopping experience, even during the most difficult conditions imposed by the outbreak of Covid-19.

The initiative of the tenants' support fund that was provided by Seef Properties came as an integral part of the Company's national responsibility towards Team Bahrain and The National Taskforce for Combating the Coronavirus, which helped our partners avoid incurring further losses resulting from this pandemic and enabled them to withstand financial and operational challenges.

This would ultimately serve the recovery of the Kingdom's economy, and we are all proud of these solid relationships with our tenants, many of which date back to more than two decades.

# Chief Executive Officer's Report Continued

## Support of National Efforts

The matter of ensuring the health and safety of our mall visitors, tenants, and employees, has remained a top priority for the Company throughout the past year. We have been keen on applying the best preventive and precautionary measures that are in line with the commitment to support all national efforts to combat the Coronavirus.

Since the outbreak of the pandemic, Seef Properties has also been diligent in complying with all decisions and recommendations issued by The National Taskforce for Combating the Coronavirus, which included the partial closure of our malls; (Seef Mall - Seef District, Seef Mall - Muharraq, and Seef Mall - Isa Town), on a temporary basis, whilst ensuring more steps are taken to maintain cleanliness and sterilization of all facilities in our malls.

Additionally, the Company conducted a comprehensive sterilization process for Seef Mall - Seef District in cooperation with the General Directorate of Civil Defence at the Ministry of Interior.

With the beginning of the Coronavirus outbreak, the Company formed a special emergency team that monitors daily developments to ensure a rapid response is taken in the event of any incidents that require immediate and direct intervention.

Moreover, the Company was committed to the application of social distancing and daily sterilization of all facilities, surfaces and common areas in our malls, in addition to the provision of sanitizers in various corners and main gates to provide a healthy and safe shopping environment for all.

The hospitality and entertainment sectors were the most affected during the year 2020 due to the disruption of the tourism movement with closure of main travel ports during multiple periods to combat the spread of the pandemic, and this included the

suspension of many air, land and sea trips. In addition, there was a complete closure for all recreational and entertainment facilities, which we hope will re-open this year.

## Looking to the Future

With respect to the real estate development sector, during the past year, the Company focused on increasing investments in its new future projects, most notably "Al Liwan" project in Hamala area.

With this project, the Company seeks to redefine the concept of real estate development by introducing a mixed-use project that meets the market's entertainment, residential, commercial, and tourism needs, with a commitment to apply best global administrative, operational, and engineering practices.

During 2020, the Company worked on completing the construction works for "Al Liwan" project, in accordance with the preset plan and without any delays in delivery dates despite the pandemic.

The project has now reached its final stages with the execution of several leasing agreements with major companies and well-known brands which will contribute towards remarkable turnout rates, due to their regional, local and global presence. This will make Al Liwan a leading destination for shoppers as well as recreational activities enthusiasts to create memorable moments with their loved ones and friends.

The Company has adopted all of the necessary procedures and measures to ensure the safety and health of its visitors, in addition to equipping various facilities with all that is required to comply with official health instructions and requirements, and is therefore ready to re-open all of its entertainment facilities once an official announcement is made to this effect.

## Gradual Recovery for All Sectors

We are confident that the year 2021 will be different from 2020 by setting an upward trend via the gradual recovery of all non-oil economic sectors, especially our main business sectors. The Company will seek to further develop its investment portfolio and offer strategic real estate properties in several regions across the Kingdom to maximize shareholders' value and meet the aspirations of our current and future customers and partners, in addition to setting more considerable long-term plans that reduce the repercussions of Covid-19.

Seef Malls, which are positioned throughout the Kingdom, will continue to attract prominent regional and international brands, as this year will witness the announcement of new brands entering the Kingdom for the first time, meeting the needs of the local consumer and keeping pace with the aspirations of local and external shoppers.

In conclusion, I would like to extend my sincere gratitude to the members of the Board of Directors and the shareholders for their immeasurable support and assistance in addition to all of the staff members, who displayed the utmost commitment and dedication to enable Seef Properties to flexibly respond to the challenges posed by the Covid-19 pandemic and ensured the continued operational activities of our projects in the retail and hospitality sectors without interruption.

I would also like to thank all of our partners, who have been the core of our business and the basis of our success over the past years, and hopefully for many years to come.

**Ahmed Yusuf**  
Chief Executive Officer



# Corporate Governance

## 1. CORPORATE GOVERNANCE APPROACH

Seef Properties B.S.C. (“**Company**”) continuously strives to be a leading, innovative, and diversified real estate company driven by the highest standards and values in its quest for excellence. The Company’s commitment to fairness, transparency, accountability, and responsibility remains at the forefront of its operations to the ultimate benefit of its shareholders, customers, employees and other stakeholders.

The Company’s corporate governance framework is based on the guidelines of the Corporate Governance Code as introduced by the Ministry of Industry, Commerce and Tourism (“**Code**”), the Commercial Companies Law and its Implementation Regulations (“**CCL**”), the regulations of the Central Bank of Bahrain (“**CBB**”) as specified in Volume 6 of its Rulebook - High Level Controls (Module HC) and the laws, regulations, and related guidelines of Bahrain Bourse, including but not limited to, the Listing Rules.

The Company has implemented an effective and transparent management framework developed in accordance with the applicable laws and regulations in the Kingdom of Bahrain and operates under the Company’s Corporate Governance Guidelines. The Board of Directors (“**Board**”) is responsible for strategic plans, policies, and supervision of business performance/ operations, overseeing the functions of the Executive Management and ensuring effective discharge of its duties. The Board delegates the day to day running of the Company to the Chief Executive Officer and the Executive Management in accordance with approved discretionary authority limits, policies and procedures, plans and

regulatory requirements. The Company’s External Auditor, Ernst & Young, conduct audit and other statutory reviews quarterly and annually to ensure compliance with regulatory requirements.

## 2. ONGOING INITIATIVES IN 2020

The Company continues to recognize the significance of an effective corporate governance culture. Corporate governance issues remain on the agenda of the Company’s Board, with committees such as the Nomination, Remuneration and Governance Committees being tasked with the review of the corporate governance framework and all related matters. Accordingly, the Board, through the Nomination, Remuneration and Governance Committee has proactively reviewed the Company’s compliance with the Code throughout the year and implemented steps to ensure compliance with any outstanding provisions, where applicable.

In an effort to further enhance its corporate governance internal framework, the Company commenced a comprehensive review of its policies and procedures, which included a gap assessment intended on identifying areas of potential improvement and alignment with best industry practices. Each Board Committee will review the relevant policy and procedure documents that are within its area of responsibility for onward recommendation to the Board in due course. This exercise is ongoing and is scheduled for completion during 2021.

Furthermore, the Company will be submitting its amended and restated constitutional documents to the Extraordinary General Assembly in March 2021 to approve updates in line with the recent amendments to the CCL and other applicable laws and regulations. Additionally, the Company will be

adding the activity of “Real Estate Activities on a Fee or Contract Basis – Management of Real Estate” in compliance with the Real Estate Regulatory Authority laws and regulations.

## 3. COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

The Company is committed to the provision of timely, accurate and transparent information to its shareholders, investors, regulators, and other stakeholders in accordance with the disclosure requirements prescribed in the applicable laws and regulations. The Company ensures that key financial materials and other disclosures are maintained on its website at all times and disclosed in a timely manner in accordance with the prescribed regulatory timeframes, thereby ensuring that all shareholders have access to material information required prior to any General Meeting. The Company has updated its current website in line with the full requirements of the Code, Listing Rules and CBB Disclosure Standards and is looking to further enhance the shareholders’ accessibility to all relevant information about the Company, its performance and its full real estate portfolio via the launch of its new and improved website in 2021. The Company’s website is accessible on <http://www.seef.com.bh/>.

The Company’s main means of communication with the shareholders are the Annual Report and the Annual General Meeting, the latter of which is attended by the Directors, and the shareholders are afforded the opportunity to discuss and question the Board. Furthermore, the Company has published on its website the rights and obligations of shareholders to ensure they are able to exercise the same effectively.

## 4. SHAREHOLDING AND OWNERSHIP STRUCTURE

### 4.1 Company's Share Capital

As of 31 December 2020, the Company had issued 460,000,000 ordinary shares of a nominal value of BD 0.100 each, all of which are fully paid.

### 4.2 Ownership Structure by Nationality and Category:

The table below shows the distribution of the Company's share ownership by nationality and category:

No.	Shareholder Classification	Number of Shares Held			TOTAL
		Individuals	Corporate	Government or Organizations	
1.	Bahraini	159,456,039	122,055,052	169,262,986	450,774,077
2.	Arab	3,972,593	2,840,328	-	6,812,921
3.	Foreign	1,403,672	1,009,330	-	2,413,002
	<b>TOTAL</b>	<b>164,832,304</b>	<b>125,904,710</b>	<b>169,262,986</b>	<b>460,000,000</b>

### 4.3 Ownership Structure by Size (5% or More):

The table below shows the distribution of Ownership of the Company's shares by size (5% and above):

No.	Name	Number of shares held	Shareholding %
1.	Social Insurance Organization (Pension Fund)	122,735,695	26.682%
2.	Royal Humanitarian Foundation *	56,790,624	12.346%
3.	Baytik Bahrain Real Estate Holding Co. W.L.L. (100% indirectly owned by Kuwait Finance House K.S.C.P.) (Kuwait)	39,756,895	8.643%
4.	Bayan Group for Property Investment W.L.L. (100% indirectly owned by Kuwait Finance House K.S.C.P.) (Kuwait)	31,842,988	6.922%

\* Royal Humanitarian Foundation increased its shareholding via a series of acquisitions occurring during 16 March 2020 to 22 March 2020 amounting to a total of 10,333,333 shares (2.247%). The aforementioned acquisitions were disclosed to the market in accordance with the applicable laws and regulations.

### 4.4 Ownership Structure by Size of Ownership (Number of Shares):

The table below shows the distribution of ownership of the Company's shares by size of ownership in terms of number of shares:

Shareholding (Shares)	No. of Shares Held	No. of Shareholders	Shareholding %
Less than 50,000	92,648,823	16,372	20.14%
50,000 to less than 500,000	63,067,727	760	13.71%
500,000 to less than 5,000,000	32,076,764	26	6.97%
More than 5,000,000	272,206,686	7	59.18%
<b>TOTAL</b>	<b>460,000,000</b>	<b>17,165</b>	<b>100%</b>

## Corporate Governance Continued

### 4.5 Ownership Structure by Size of Ownership (% of Shareholding):

The table below shows the distribution of ownership of the Company's shares by size of ownership in terms of percentage of shareholding:

Shareholding (%)	No. of Shares Held	No. of Shareholders	Shareholding %
Less than 1%	187,823,314	17,158	40.83%
1% up to less than 5%	20,750,484	3	4.51%
5% up to less than 10%	71,899,883	2	15.63%
10% up to less than 20%	56,790,624	1	12.35%
20% up to less than 50%	122,735,695	1	26.68%
<b>TOTAL</b>	<b>460,000,000</b>	<b>17,165</b>	<b>100%</b>

### 4.6 Ownership by Directors and Executive Management (including their Related Parties and/or Dependents):

The table below shows the Director's and Executive Management shareholding:

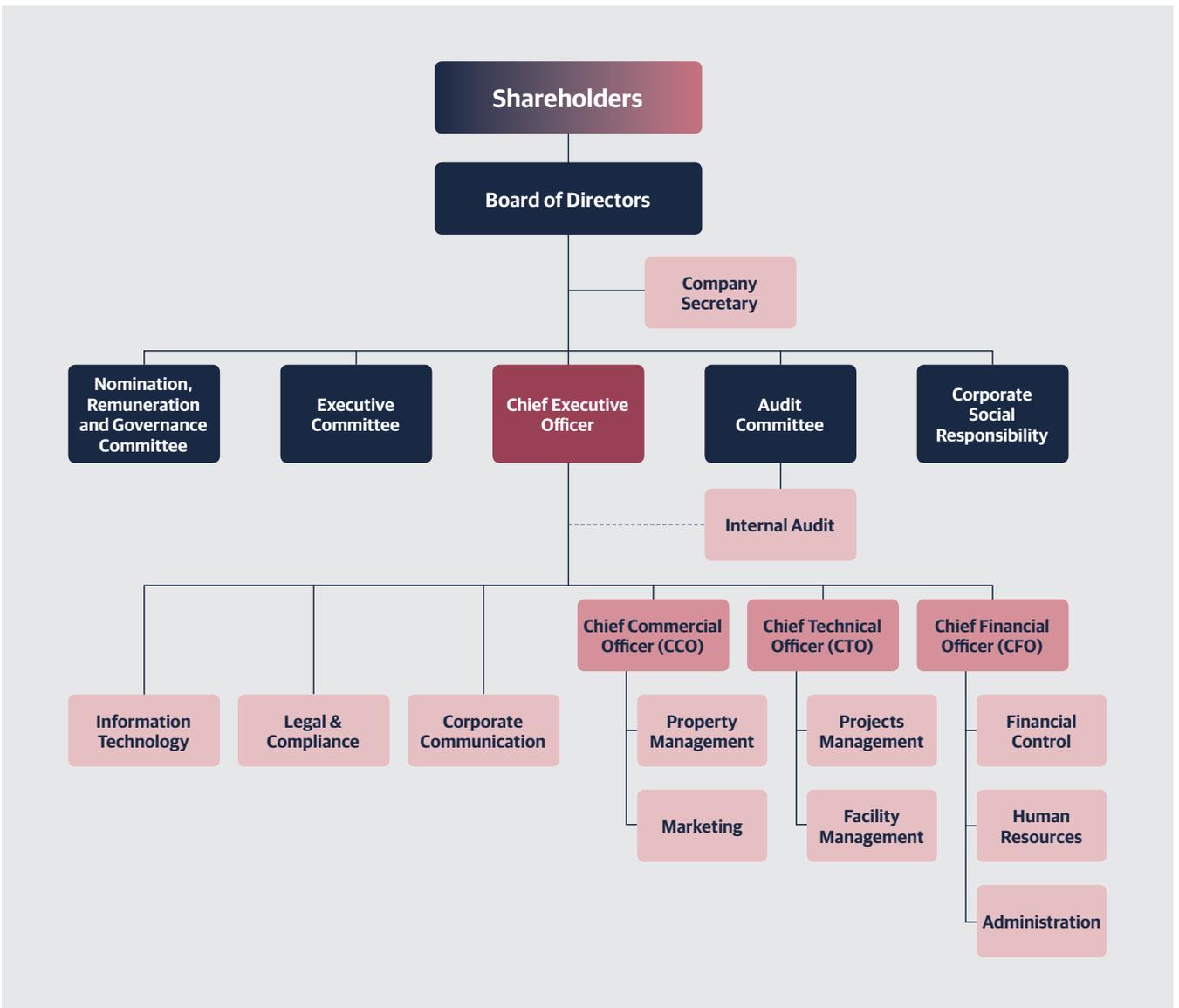
No.	Name	Relationship	Number of shares held	Shareholding %
1.	Essa Mohamed Najibi		100,500	0.022 %
	Mohamed Essa Najibi	Son	50,000	0.011 %
	Najibi Investment Company B.S.C.(C).	Related Company	530,854	0.115 %
	United Commercial Services B.S.C.(C).	Related Company	574,530	0.125 %
	Al Souq Real Estate Co. W.L.L.	Related Company	256,500	0.056 %
	Bahrain International Travel	Related Company	121,073	0.026 %
2.	Sattam Sulaiman Al Gosaibi		0	0
	Fareeda A.Rahman Al Moayyed	Mother	240,000	0.052 %
3.	Hesham Jaffar Al Rayyes		100,000	0.022 %
4.	Ahmed Yusuf Abdulla Yusuf		100,000	0.022 %
5.	Fuad Ali Taqi		30,000	0.007 %
6.	Hamed Yousef Mashal		18,400	0.004 %
7.	Abduljalil Mohamed Janahi		5,000	0.001 %
	<b>TOTAL</b>		<b>2,126,857</b>	<b>0.462 %</b>

### 4.7 Directors and Executive Management (including Related Parties and/or Dependents) Trading during 2020:

The table below shows the Director's and Executive Management trading for 2020:

Name	Position/ Kinship	Shares at 31 December 2019	Sale Transaction	Purchase Transaction	Shares at 31 December 2020
Sattam Sulaiman Al Gosaibi	Director	253,826	253,826	0	0

5. GOVERNANCE AND ORGANIZATIONAL STRUCTURE



# Corporate Governance Continued

## 6. BOARD OF DIRECTORS

### 6.1 Board Composition and Status of Directors

As per the Company's Articles of Association, the Company shall be administered by a Board comprising of at least five (5) directors and not exceeding thirteen (13) directors ("**Directors**"). As of 31 December 2020, the total number of Directors is ten (10). The Board also elected by secret ballot from its Directors in 2019 a chairman ("**Chairman**"), and a vice chairman ("**Vice Chairman**") for its term. For the financial year ending 31 December 2020, the Company's Board and status of membership was as follows:

DIRECTOR	DESIGNATION	STATUS
Mr. Essa Mohamed Najibi	Chairman	Non-Executive/Independent
Dr. Mustafa Ali Al Sayed	Vice Chairman	Non-Executive/Independent
Mr. Sattam Sulaiman Al Gosaibi	Director	Non-Executive/Independent
Mr. Fuad Ali Taqi	Director	Non-Executive/Independent
Mr. Yusuf Ahmed Al Hammadi	Director	Executive/Non-Independent
Mr. Abduljalil Mohamed Janahi	Director	Executive/Non-Independent
Mr. Hesham Jaffar Al Rayyes	Director	Non-Executive/Non-Independent
Mrs. Eman Mustafa Al Murbati	Director	Non-Executive/Independent
Mr. Mohamed Ebrahim Al Bastaki	Director	Non-Executive/Independent
Mr. Hamed Yousef Mashal	Director	Executive/Non-Independent

The Company is in compliance with HC-1.4.4 of Volume 6 of the CBB Rulebook, where at least half of a Company's Board are non-executive directors and at least three (3) of those persons are independent directors. Furthermore, and seeing as the Company has controlling shareholders, the Company is in compliance with the requirements of the Code and HC-1.5.2 of Volume 6 of the CBB Rulebook, whereby more than a third of the Company's Board are independent Directors.

### 6.2 Directorships in Other Listed Companies

For the financial year ending 31 December 2020, the following Director also held the position of Director in another listed company in the Kingdom of Bahrain:

DIRECTOR	NAME OF LISTED COMPANY	DESIGNATION
Dr. Mustafa Ali Al Sayed	Nass Corporation B.S.C.	Director

### 6.3 Director's Profiles

#### Mr. Essa Mohamed Najibi Chairman

**Status/ Appointed By** Non-Executive/Independent

**Membership Duration** 11 years

**Committee Membership**

- Chairman of the Nomination, Remuneration and Governance Committee
- Member of the Corporate Social Responsibility Committee

**Qualification** Bachelor of Civil Engineering

**Experience** Over 35 years of experience in directorship and executive positions in the real estate sector, in addition to managing the family businesses.

**Board Memberships**

- Chairman - Najibi Investment Company B.S.C.(C)
- Chairman - United Commercial Services Co.
- Chairman - AlSouq Real Estate Company W.L.L.
- Chairman - LAMA Real Estate W.L.L.
- Chairman - Ibdar Capital B.S.C.(C)
- Chairman - Fraser Suites Seef-Bahrain W.L.L.
- Chairman - Seef Entertainment W.L.L.
- Chairman - Binaa Al Bahrain W.L.L.
- Director - Gulf Air B.S.C.(C)
- Director - The Malls Real Estate Development B.S.C.(C)
- Director - Bahrain Scrapmould Company W.L.L.
- Director - Crown Industries W.L.L.
- Director - Lona Real Estate B.S.C.(C)
- Director - Bahrain International Travel W.L.L.
- Director - World Decor W.L.L.
- Member of the Board of Trustees, Director and Chairman of Executive Committee - Royal University for Women

**Positions in other key regulatory, government or commercial entities** Founding Member and Managing Director of Najibi Investments B.S.C.(C)

## Corporate Governance Continued

<b>Dr. Mustafa Ali Al Sayed</b> Vice Chairman	
<b>Status/ Appointed By</b>	Non-Executive/Independent (Royal Humanitarian Foundation)
<b>Membership Duration</b>	11 years
<b>Committee Membership</b>	<ul style="list-style-type: none"> <li>Chairman of the Social Responsibility Committee</li> <li>Member of the Nomination, Remuneration and Governance Committee</li> </ul>
<b>Qualification</b>	<ul style="list-style-type: none"> <li>Doctorate in Industrial Management (PhD) – University of London (UK)</li> <li>Master of Industrial Management – University of Dublin (Ireland)</li> <li>Bachelor of Mechanical Engineering – University of Portsmouth (UK)</li> </ul>
<b>Experience</b>	Over 46 years of experience in executive positions in key governmental and private institutions
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>Director – Fraser Suites Seef – Bahrain W.L.L.</li> <li>Director – Seef Entertainment W.L.L.</li> <li>Director - Nass Corporation B.S.C.</li> <li>Deputy Chairman - Family Bank B.S.C.(C)</li> <li>Member of the Board of Trustees – Egyptian Zakat House</li> <li>Director – Bahrain Health and Safety Society</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	Secretary General of Royal Humanitarian Foundation
<b>Mr. Sattam Sulaiman Al Gosaibi</b> Director	
<b>Status/ Appointed By</b>	Non-Executive/ Independent
<b>Membership Duration</b>	11 years
<b>Committee Membership</b>	<ul style="list-style-type: none"> <li>Chairman of the Executive Committee</li> <li>Member of the Nomination, Remuneration and Governance Committee</li> </ul>
<b>Qualification</b>	<ul style="list-style-type: none"> <li>Bachelor of Accounting (BSc) - King Fahad University (KSA)</li> <li>Master of Business Administration (MBA) - DePaul University (USA)</li> </ul>
<b>Experience</b>	Over 25 years of experience in Islamic banking and directorship in the real estate sector
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>Director - Fraser Suites Seef-Bahrain W.L.L.</li> <li>Director - Seef Entertainment W.L.L.</li> <li>Director - LAMA Real Estate W.L.L.</li> <li>Director - Binaa Al Bahrain W.L.L.</li> <li>Director - Gulf Real Estate Development Company S.S.C.(C)</li> <li>Vice Chairman – Capital Real Estate Company B.S.C.(C)</li> <li>Director – Gulf Holding Company K.S.C.</li> <li>Director – Locata Corporation PTY Limited</li> <li>Director – Bahrain International Golf Course Company B.S.C.(C)</li> <li>Director – Al Areen Hotels W.L.L.</li> <li>Director – INJAZ Bahrain</li> <li>Member of the Board of Trustees – Ibn Khuldoon National School</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	Chief Executive Officer of Khaleeji Commercial Bank B.S.C.

### Mr. Fuad Ali Taqi Director

<b>Status/ Appointed By</b>	Non-Executive/ Independent
<b>Membership Duration</b>	5 years
<b>Committee Membership</b>	Chairman of the Audit Committee
<b>Qualification</b>	Master of Business Administration (MBA) – University of South Wales (UK)
<b>Experience</b>	Over 34 years of experience in conventional and Islamic banking
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>• Director - Fraser Suites Seef-Bahrain W.L.L.</li> <li>• Director - Seef Entertainment W.L.L.</li> <li>• Vice Chairman of the Board of Directors, Member of the Board of Trustees and Member of the Finance Committee - Ibn Khuldoon National School</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	N/A

### Mr. Yusuf Ahmed Al Hammadi Director

<b>Status/ Appointed By</b>	Executive/Non-Independent
<b>Membership Duration</b>	14 years
<b>Committee Membership</b>	Member of the Audit Committee
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration (MBA) – University of Bahrain</li> <li>• Leadership Development Program – University of Virginia (USA)</li> <li>• CFO Strategic Leadership Program – Ivey Business School (Canada)</li> </ul>
<b>Experience</b>	Over 32 years of experience in conventional and Islamic banking
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>• Chairman – Muharraq Mall Co. W.L.L.</li> <li>• Director - Lama Real Estate W.L.L.</li> <li>• Director - Fraser Suites Seef-Bahrain W.L.L.</li> <li>• Director - Seef Entertainment W.L.L.</li> <li>• Director - Delmon 1 Co. W.L.L.</li> <li>• Director – PK Development Co. W.L.L.</li> <li>• Member of the Board of Trustees, Director and Head of Finance Committee – Ibn Khuldoon National School</li> <li>• Director – WAQF Fund (Central Bank of Bahrain)</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	Executive Manager – Head of Financial Control and Administration at Kuwait Finance House (Bahrain) B.S.C.(C)

## Corporate Governance Continued

<b>Mr. Abduljalil Mohamed Janahi</b> Director	
<b>Status/ Appointed By</b>	Executive/ Non-Independent
<b>Membership Duration</b>	11 years
<b>Committee Membership</b>	Member of the Executive Committee
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Master of Civil Engineering/ Construction Management (MSc) - The Catholic University of America (USA)</li> <li>• Bachelor of Civil Engineering – University of Bahrain</li> <li>• Diploma in Building Management – City &amp; Guilds of London Institute (UK)</li> </ul>
<b>Experience</b>	Over 37 years of experience in project management and civil engineering
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>• Director - Muharraq Mall Co. W.L.L.</li> <li>• Director - Fraser Suites Seef - Bahrain W.L.L.</li> <li>• Director - Seef Entertainment W.L.L.</li> <li>• Director - Diyar Al Muharraq W.L.L.</li> <li>• Director - Diyar Al Muharraq Housing Development Co. W.L.L.</li> <li>• Director - Diyar Al Bareh Real Estate W.L.L.</li> <li>• Director - Diyar Al Naseem Real Estate W.L.L.</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	Senior Manager – Head of Real Estate Projects Management at Kuwait Finance House (Bahrain) B.S.C.(C).
<b>Mr. Hesham Jaffar Al Rayyes</b> Director	
<b>Status/ Appointed By</b>	Non-Executive/Non-Independent
<b>Membership Duration</b>	8 years
<b>Committee Membership</b>	Member of the Nomination, Remuneration and Governance Committee
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Bachelor of Quantity Surveying - Portsmouth Polytechnic University (UK)</li> <li>• Member of The Council for Regulating the Practice of Engineering Professions (CRPEP)</li> <li>• Member of Royal Institute Chartered Surveyors (UK)</li> </ul>
<b>Experience</b>	Over 35 years of experience in quantity surveying and project management
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>• Director - Fraser Suites Seef - Bahrain W.L.L.</li> <li>• Director - Seef Entertainment W.L.L.</li> <li>• Owner and Managing Director – Dar Al Huda Apartments W.L.L.</li> <li>• Director – Sheikh Essa Bin Salman Al Khalifa Educational Trust</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	Owner and Chief Executive Officer of HAJ Quantity Surveyors W.L.L.

### Mrs. Eman Mustafa Al Murbati Director

<b>Status/ Appointed By</b>	Non-Executive/Independent (Social Insurance Organization)
<b>Membership Duration</b>	5 years
<b>Committee Membership</b>	<ul style="list-style-type: none"> <li>• Member of the Audit Committee</li> <li>• Member of the Corporate Social Responsibility Committee</li> </ul>
<b>Qualification</b>	Bachelor of Accounting – Cairo University (Egypt)
<b>Experience</b>	Over 37 years of experience in key positions in the Social Insurance Organization
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>• Director – Fraser Suites Seef – Bahrain W.L.L.</li> <li>• Director – Seef Entertainment W.L.L.</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	Chief Executive Officer of Social Insurance Organization

### Mr. Mohamed Ebrahim Al Bastaki Director

<b>Status/ Appointed By</b>	Non-Executive/Independent (Social Insurance Organization)
<b>Membership Duration</b>	2 years
<b>Committee Membership</b>	Member of the Executive Committee
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration (MBA) – University of Glamorgan (UK)</li> <li>• General Management Program – Harvard Business School (USA)</li> <li>• The Gulf Executive Development Program – University of Virginia [Darden Business School] (USA)</li> <li>• Executive Management Diploma – University of Bahrain</li> </ul>
<b>Experience</b>	Over 42 years of experience in executive positions in financial institutions
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>• Chairman – The BENEFIT Company B.S.C.(C)</li> <li>• Chairman - SINNAD W.L.L.</li> <li>• Director – Fraser Suites Seef – Bahrain W.L.L.</li> <li>• Director – Seef Entertainment W.L.L.</li> <li>• Vice Chairman of Board of Trustees – The Kingdom University</li> <li>• Director – Social Insurance Organization</li> <li>• Director – Osool Asset Management B.S.C.(C).</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	N/A

## Corporate Governance Continued

<b>Mr. Hamed Yousef Mashal Director</b>	
<b>Status/ Appointed By</b>	Executive/Non-Independent
<b>Membership Duration</b>	2 years
<b>Committee Membership</b>	Member of the Executive Committee
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration (MBA) - University of Warwick [Warwick Business School] (UK)</li> <li>• Bachelor of Computer and Business Studies (BSc) - University of Warwick [Warwick Business School] (UK)</li> <li>• MRICS – Royal Institute of Chartered Surveyors</li> <li>• Chartered Financial Analyst (CFA)</li> <li>• Project Management Professional (PMP)</li> </ul>
<b>Experience</b>	Over 16 years of experience in conventional and Islamic banking
<b>Board Memberships</b>	<ul style="list-style-type: none"> <li>• Director - Fraser Suites Seef - Bahrain W.L.L.</li> <li>• Director - Seef Entertainment W.L.L.</li> <li>• Director - Liquidity Management Centre B.S.C.(C).</li> <li>• Director - Bayan Group for Property Investment W.L.L.</li> <li>• Director - Baytik Bahrain Real Estate Holding Company W.L.L.</li> <li>• Director - Baytik Investments One W.L.L.</li> <li>• Director - Baytik Investments Two W.L.L.</li> <li>• Director - Diyar Homes Company W.L.L.</li> <li>• Director - Durrat 4 W.L.L.</li> <li>• Director - Al Masarrat Real Estate 2 W.L.L.</li> <li>• Director - Bridge W.L.L. Limited (Cayman Islands)</li> <li>• Executive Committee Member - Diyar Al-Muharraq Co. W.L.L.</li> <li>• Technical Committee Member - PK Development W.L.L.</li> </ul>
<b>Positions in other key regulatory, government or commercial entities</b>	Head of Retail Banking at Kuwait Finance House (Bahrain) B.S.C.(C)

#### 6.4 Mandate of the Board

The Board's roles and responsibilities, include but are not limited to, the following:

- Establishing the objectives of the Company;
- Determining the overall business performance, plans and strategy of the Company;
- Monitoring management performance and their implementation of strategic decisions;
- Convene and prepare the agenda for the shareholder meetings;
- Approve and monitor the progress of major capital expenditure, capital management, loans, including the sale of movable and immovable property;
- Monitoring conflict of interest and preventing abusive related party transactions;
- Annual approval of budget and monitoring management performance in relation to the same thereof;
- Adoption and review of management structure and responsibilities;
- Adoption and review of the systems and controls framework;
- Causing financial statements to be prepared which accurately disclose the Company's financial position;
- Ensuring the establishment of proper succession planning for the Chief Executive Officer and senior management in the Company; and
- Ensuring compliance with various laws and regulations, including but not limited to, the CCL, Code, CBB laws and regulations, Bahrain Bourse laws and regulations, Labor Law and other applicable laws and regulations.

Further details of the roles and responsibilities of the Board are set out in the Board Charter and Articles of Association. These roles and responsibilities are in line with the regulatory requirements contained in the CCL, CBB Rulebook, Code and any other applicable laws or regulations.

#### 6.5 Appointment, Election and Termination of Directors

The Board is elected for a term of three (3) years in the Annual General Meeting, such term being capable of renewal. The current term of the Board commenced on 31 March 2019 and will end on 31 March 2022, or the date of the Annual General Meeting in the same year, whichever is earlier.

The appointment and election of Directors is subject to the provisions of the CCL, Code and CBB rules and regulations. The Directors are appointed in a General Meeting of the shareholders from amongst candidates proposed by the Board and/or appointed by major shareholders in exercise of their rights under the CCL.

The Directors' appointment is deemed terminated upon expiry of the Board term, after which the Director in question will be subject to re-election. The Company's Articles of Association, CCL and the Board Charter list all the grounds for termination of membership of the Board. The General Meeting, via majority vote, has the authority to terminate the membership of some or all of the Board. This is without prejudice to the rights of shareholders qualifying under the provisions of the CCL to terminate the appointment of any Director they appointed. As of 31 December 2020, no memberships were terminated.

#### 6.6 Director Appointment Letter

The Company has written appointment letters with each Director, which set out the Directors' roles, duties, responsibilities, accountabilities, in addition to other aspects relating to their appointment such as term, the time commitment required, the committee assignments (if any), their remuneration and expense reimbursement entitlement and access to independent professional advice, as and when required.

The Directors are generally required to adhere to the Company's Articles of Association, CCL, the Code, CBB Rulebook, Code of Conduct and Ethics and all applicable laws and regulations

#### 6.7 Induction and Training of Directors

The Board through the Company Secretary ensures that each newly appointed Director receives all information to strengthen and support his/her contribution from the commencement of his/her term, via meetings with senior management, presentations regarding the Company's strategic plans, significant financial and accounting frameworks, financial performance, investments, and properties, in addition to access to its Internal and external auditors and legal advisor. The Company Secretary ensures that each Director has access to all pertinent Company information, including constitutional documents, charters, policies and procedures, directors' indemnity insurance policy and other key documents, which are stored on and are accessible from the Company's electronic Board portal.

## Corporate Governance Continued

The Nomination, Remuneration and Governance Committee is also responsible for arranging the necessary training to ensure that the Directors are kept informed of the latest industry trends and developments. During 2020, the aforementioned committee has recommended corporate governance training, which was due to be conducted in person in 2020. Due to COVID-19 restrictions, the same has been postponed to be conducted in person. Nonetheless, and due to ongoing pandemic uncertainties, the Board agreed to proceed with the training sessions via videoconferencing to be conducted in 2021.

Without prejudice to the foregoing, most of the Directors have individually participated in various virtual seminars, conferences and training sessions covering a large array of governance and industry specific issues.

### 6.8 Company Secretary

The Board is supported by the Company Secretary, who provides it with professional and administrative support. The Company Secretary also acts as secretary for the Board committees and the General Meetings. The appointment of the Company Secretary is subject to approval of the Board. The Company Secretary is Ms. Maryam Husain who joined the Company in May 2019 and is also the Senior Manager of the Legal and Compliance Department. She holds a Bachelor of Laws (LLB), Master of Laws (LLM) from the University of Warwick and a postgraduate higher diploma in Legal Practice Course (LPC) from the College of Law in the United Kingdom, with more than fifteen (15) years of experience.

### 6.9 Board Remuneration Policy and Sitting Fees

The Company follows the provisions of Article 188 of the CCL in determining the remuneration of the Directors. Remuneration paid to the Directors for the financial year ended 31 December 2019 was BD 230,000 as approved in the Annual General Meeting.

The proposed remuneration to be paid to the Directors for the financial year ended 31 December 2020 is BD 170,000 and will be presented for the shareholders' approval in the upcoming Annual General Meeting.

Sitting fees payable to the Directors for attending the Board and its committee meetings have been revised in the first quarter of 2020 for better alignment with industry standards and increased from BD 300 per meeting to BD 600 for the Chairman of the Board or any committee, and from BD 200 per meeting to BD 400 for Directors or committee members. The total sitting fees paid for Company Board and Committee Meetings are as follows:

TYPE OF MEETING	FEES IN BD
Board	25,200
Committees	24,200
<b>TOTAL</b>	<b>49,400</b>

Note: This does not include sitting fees paid for subsidiaries or affiliates.

### 6.10 Board Meetings

In accordance with the legal and regulatory requirements and the Board Charter, the Board must meet frequently but in no event less than four (4) times a year. The Company's Board has exceeded this requirement by meeting six (6) times in the financial year ended 31 December 2020. Due to COVID-19 precautionary measures and social distancing rules, the Board accordingly and seamlessly conducted four (4) out of the six (6) meetings via videoconferencing technologies (Microsoft Teams and ZOOM).

In addition to meetings convened during the aforementioned year, a number of resolutions were passed unanimously via circulation to the Directors (with the exclusion of any conflicted Directors where applicable), which were always ratified at the next Board meeting convened.

### 6.10.1 Overall Number of Board and Committee Meetings and Attendance

Below is a breakdown of the Board and Committee Meetings convened during 2020:

DIRECTOR	BOARD/COMMITTEE MEETINGS	NO. OF MEETINGS
Mr. Essa Mohamed Najibi	Board of Directors	6
	Nomination, Remuneration and Governance Committee	4
	Corporate Social Responsibility Committee	2
Dr. Mustafa Ali Al Sayed	Board of Directors	6
	Nomination, Remuneration and Governance Committee	4
	Corporate Social Responsibility Committee	2
Mr. Sattam Sulaiman Al Gosaibi	Board of Directors	6
	Executive Committee	5
	Nomination, Remuneration and Governance Committee	4
Mr. Fuad Ali Taqi	Board of Directors	6
	Audit Committee	4
Mr. Yusuf Ahmed Al Hammadi	Board of Directors	6
	Audit Committee	4
Mr. Abduljalil Mohamed Janahi	Board of Directors	6
	Executive Committee	5
Mr. Hesham Jaffar Al Rayyes	Board of Directors	6
	Nomination, Remuneration and Governance Committee	3
Mrs. Eman Mustafa Al Murbati	Board of Directors	6
	Audit Committee	4
	Corporate Social Responsibility Committee	2
Mr. Mohamed Ebrahim Al Bastaki	Board of Directors	6
	Executive Committee	5
Mr. Hamed Yousef Mashal	Board of Directors	6
	Executive Committee	5

## Corporate Governance Continued

### 6.10.2 Board Meetings and Attendance

The dates and attendance details of the Board meetings are as follows:

DIRECTOR	1/2020 16/02/20	2/2020 15/03/20	3/2020 04/05/20	4/2020 10/08/20	5/2020 04/11/20	6/2020 07/12/20	%
Mr. Essa Mohamed Najibi	✓	✓					100
Dr. Mustafa Ali Al Sayed	✓	✓					100
Mr. Sattam Sulaiman Al Gosaibi	✓	✓					100
Mr. Fuad Ali Taqi	✓	✓					100
Mr. Yusuf Ahmed Al Hammadi	✓	✓					100
Mr. Abduljalil Mohamed Janahi	✓	✓					100
Mr. Hesham Jaffar Al Rayyes	✓	✓					100
Mrs. Eman Mustafa Al Murbati	✓	✓					100
Mr. Mohamed Ebrahim Al Bastaki	✓	✓					100
Mr. Hamed Yousef Mashal	✓	✓					100

 Attended via videoconferencing

### 7. BOARD COMMITTEES

In accordance with the Company's constitutional documents, charters and the requirements set forth by the Code and CBB regulations, the Board has delegated specific responsibilities to a number of Board committees (each a "**Committee**" and collectively, the "**Committees**"). Each Committee has its own formal written charter that sets out its roles and responsibilities. The main Committees are as follows:

- Executive Committee
- Audit Committee
- Nomination, Remuneration and Governance Committee
- Corporate Social Responsibility Committee

## 7.1 Executive Committee

### 7.1.1 Composition

The Executive Committee's membership for the financial year ended 31 December 2020 was as follows:

DIRECTOR	DESIGNATION	STATUS
Mr. Sattam Sulaiman Al Gosaibi	Committee Chairman	Non-Executive/Independent
Mr. Abduljalil Mohamed Janahi	Member	Executive/Non-Independent
Mr. Mohamed Ebrahim Al Bastaki	Member	Non-Executive/Independent
Mr. Hamed Yousef Mashal	Member	Executive/Non-Independent

### 7.1.2 Roles and Responsibilities

The Executive Committee was established to support the decision-making process of the Board in a wide range of business matters, from strategy planning and policy to investment and risk. The Executive Committee assists the Board in discharging its oversight responsibilities when there is a critical need for prompt review and action, with a focus on financing requirements, including raising capital, coordination with bankers and financial advisers, investment management, assets liability management and other financial matters related to the investment activities of the Company.

### 7.1.3 Meetings, Attendance and Sitting Fees

The Executive Committee Charter stipulates that it shall meet at least six (6) times a year. During 2020, only five (5) meetings were convened as the full Board had met six (6) times and addressed all matters which may have been addressed by the Executive Committee. The dates, attendance record and sitting fees of the Executive Committee meetings are as follows:

DIRECTOR	1/2020 15/03/20	2/2020 31/05/20	3/2020 09/06/20	4/2020 14/09/20	5/2020 01/12/20	%	SITTING FEES (BD)
Mr. Sattam Sulaiman Al Gosaibi	✓					100	3,000
Mr. Abduljalil Mohamed Janahi	✓					100	2,000
Mr. Mohamed Ebrahim Al Bastaki	✓					100	2,000
Mr. Hamed Yousef Mashal	✓					100	2,000

 Attended via videoconferencing

# Corporate Governance Continued

## 7.2 Audit Committee

### 7.2.1 Composition

The Audit Committee's membership for the financial year ended 31 December 2020 was as follows:

DIRECTOR	DESIGNATION	STATUS
Mr. Fuad Ali Taqi	Committee Chairman	Non-Executive/Independent
Mr. Yusuf Ahmed Al Hammadi	Member	Executive/Non-Independent
Mrs. Eman Mustafa Al Murbati	Member	Non-Executive/Independent

### 7.2.2 Roles and Responsibilities

The Audit Committee plays a key role in assisting the Board to fulfill its oversight responsibilities in areas of financial reporting, internal control systems, risk management systems and the internal and external audit functions. Its principal functions are to monitor the periodic reviews of the accounting and financial reporting processes and systems of internal control that are conducted by the Company's independent auditors, financial and senior management and internal auditing department; and review and evaluate the independence and performance of the independent auditors.

In performing the oversight functions, the Audit Committee oversees the adoption of quality accounting policies and internal controls and seeks to hire effective independent auditors, in order to deter fraud, anticipate financial risks and promote accurate, timely and meaningful disclosure of financial and other information to the Board and stakeholders.

### 7.2.3 Meetings, Attendance and Sitting Fees

The Audit Committee Charter stipulates that it shall meet at least four (4) times a year. During 2020, the Audit Committee convened four (4) meetings in compliance with this requirement. The dates, attendance record and sitting fees of the Audit Committee meetings are as follows:

DIRECTOR	1/2020 10/02/20	2/2020 30/04/20	3/2020 09/08/20	4/2020 02/11/20	%	SITTING FEES (BD)
Mr. Fuad Ali Taqi	✓				100	2,400
Mr. Yusuf Ahmed Al Hammadi	✓				100	1,600
Mrs. Eman Mustafa Al Murbati	✓				100	1,600

 Attended via videoconferencing

## 7.3 Nomination, Remuneration and Governance Committee

### 7.3.1 Composition

The Nomination, Remuneration and Governance Committee's membership for the financial year ended 31 December 2020 was as follows:

DIRECTOR	DESIGNATION	STATUS
Mr. Essa Mohamed Najibi	Committee Chairman	Non-Executive/Independent
Dr. Mustafa Ali Al Sayed	Member	Non-Executive/Independent
Mr. Sattam Sulaiman Al Gosaibi	Member	Non-Executive/Independent
Mr. Hesham Abdulrahman Al Rayyes	Member	Non-Executive/Non-Independent

### 7.3.2 Roles and Responsibilities

The Nomination, Remuneration and Governance Committee set up by the Board is entrusted with combined advisory responsibilities concerning the following:

- Nomination, appointment, re-appointment or dismissal of directors, membership on Board committees and members of the Executive Management;
- Remuneration policies of the Company;
- Evaluation of Board, Board Committee, Director and Executive Management performance;
- Proposal and review of individual remuneration of the Board and Board Committee members and Executive Management, based on performance;
- Set up and review of policies of the Company on corporate governance; and
- Succession planning for the Chief Executive Officer and members of senior management

### 7.3.3 Meetings, Attendance and Sitting Fees

The Nomination, Remuneration and Governance Committee Charter stipulates that it shall meet at least twice (2) a year. During 2020, the Nomination, Remuneration and Governance Committee convened four (4) meetings in compliance with this requirement. The dates, attendance record and sitting fees of the Nomination, Remuneration and Governance Committee meetings are as follows:

DIRECTOR	1/2020 11/02/20	2/2020 05/07/20	3/2020 28/10/20	4/2020 30/11/20	%	SITTING FEES (BD)
Mr. Essa Mohamed Najibi	✓				100	2,400
Dr. Mustafa Ali Al Sayed	✓				100	1,600
Mr. Sattam Sulaiman Al Gosaibi	✓				100	1,600
Mr. Hesham Abdulrahman Al Rayyes	✓			✗	75	1,200

 Attended via videoconferencing

# Corporate Governance Continued

## 7.4 Corporate Social Responsibility Committee

### 7.4.1 Composition

The Corporate Social Responsibility Committee's membership for the financial year ended 31 December 2020 was as follows:

DIRECTOR	DESIGNATION	STATUS
Dr. Mustafa Ali Al Sayed	Committee Chairman	Non-Executive/Independent
Mr. Essa Mohamed Najibi	Member	Non-Executive/Independent
Mrs. Eman Mustafa Al Murbati	Member	Non-Executive/Independent

### 7.4.2 Roles and Responsibilities

The Corporate Social Responsibility Committee is delegated with the authority from the Board for the administration and disbursement of donations, including the selection of charitable organizations, allocation of approved budget into various sectors, setting conditions of donations, reviewing and monitoring performance of organizations, cancellations of donations and recommendation of overall budget for shareholder's approval.

### 7.4.3 Meetings, Attendance and Sitting Fees

The Corporate Social Responsibility Committee Charter stipulates that it shall meet at least twice (2) a year. During 2020, the Corporate Social Responsibility Committee convened two (2) meetings in compliance with this requirement. The dates, attendance details and sitting fees of the Corporate Social Responsibility Committee meetings are as follows:

DIRECTOR	1/2020 07/07/20	2/2020 30/11/20	%	SITTING FEES (BD)
Dr. Mustafa Ali Al Sayed			100	1,200
Mr. Essa Mohamed Najibi			100	800
Mrs. Eman Mustafa Al Murbati			100	800

 Attended via videoconferencing

## 8. BOARD AND COMMITTEE EVALUATION

The Board through its Nomination, Remuneration and Governance Committee conducts annual individual, Board and Committee performance evaluations in accordance with the respective charters. The process is intended to identify areas for improvement and increase of efficiency and to assess individual contributions to the work of the Board, in addition to the Board as a whole.

The Directors have effectively completed their performance evaluation for the financial year ended 31 December 2020. Areas of improvement which will be reviewed and addressed in 2021 include the following:

- Additional specialized training programs focused on industry specific topics, taking into particular consideration the impacts of COVID-19 and post-pandemic realities.
- Dedicating additional time to strategy brainstorming sessions.

## 9. EXECUTIVE MANAGEMENT

### 9.1 Segregation of Duties and Delegation

In accordance with the regulatory requirements, the positions of the Chairman and Vice Chairman are segregated from those of the Chief Executive Officer. Furthermore, there is a clear delineation of responsibilities between the aforementioned positions as defined in the Company's Articles of Association and Board Charters. The Board has delegated various authorities to the Chief Executive Officer, Executive Management and other members of Senior Management by virtue of the Discretionary Authority Limits document periodically reviewed by the Board.

### 9.2 Executive Management Profiles

As of 31 December 2020, the Executive Management of the Company was comprised of the following:

#### Mr. Ahmed Yusuf Chief Executive Officer

<b>Qualification</b>	Bachelor of Civil Engineering - Kuwait University (Kuwait)
<b>Appointment</b>	2015
<b>Experience</b>	Over 26 years of experience in real estate and project management for major regional companies. Prior to joining the Company, he served in senior management roles in Edamah Real Estate Company, Abaad Real Estate Company, Gulf Development Real Estate Company, Salhiya Real Estate Company, Kuwait Hotels Company and Kuwait University.

#### Mr. Tarek Darwish Chief Technical Officer

<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Master of Architecture (M.Arch.) - McGill University (Montreal, Canada)</li> <li>• Bachelor of Architecture (B.Arch.) - Al Azhar University (Egypt)</li> </ul>
<b>Appointment</b>	2016
<b>Experience</b>	Over 40 years of experience in architectural services, project management and facility management. Prior to joining the Company, he served in senior management roles in MAF Properties, Tamdeen Group, Salhiya Real Estate Company, Projacs, Dar Al Handassah, Arabian Woodwork and Sievenpiper Associates.

#### Mr. Mohamed Baqi Acting Chief Financial Officer

<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration (MBA) - University of Manchester (UK)</li> <li>• Bachelor of Accounting (BSc) - University of Bahrain</li> <li>• Certified Public Accountant (CPA) - New Hampshire (USA)</li> </ul>
<b>Appointment</b>	2016
<b>Experience</b>	Over 14 years of experience in the accounting and financial services in the banking and investment sector. Prior to joining the Company, he served in various roles in Arcapita Group, Al Baraka Islamic Bank and Mumtalakat.

## Corporate Governance Continued

### Ms. Maryam Husain Company Secretary Senior Manager – Legal and Compliance Department

- Qualification**
- Master of Laws (LLM) - University of Warwick (UK)
  - Bachelor of Laws (LLB) - University of Warwick (UK)
  - Postgraduate Diploma in Legal Practice Course (LPC) - College of Law (London – UK)

**Appointment** 2019

**Experience** Over 15 years of experience in law firms and in-house in various disciplines such as corporate and commercial legal advisory, real estate, governance, compliance and banking. Prior to joining the Company, she held various positions and worked for KPMG Fakhro, AAJ Holdings, Nezar Raees Associates, Hafudh Ali – Attorneys and Legal Consultants and Alubaf Arab International Bank B.S.C.(C).

Members of the Executive Management who resigned during 2020:

### Mr. Khalid Janahi General Manager – Support Services (Until 27 February 2020)

- Qualification**
- ILM Certification Level 2 (UK)
  - ITIL Certification (UK)
  - Diploma in Middle Management – University of Bahrain

**Appointment** 2018

**Experience** Over 37 years of experience in information technology, delivering systems and solutions to complex business scenarios with extensive leadership skills and hands-on experience in programming, databases and IT project management. Prior to joining the Company, he served in senior management roles in Mumtalakat, BAPCO, EDS, The Sabre Group and Gulf Air.

### Mr. Naser Sharif Head of Internal Audit (Until 30 September 2020)

- Qualification**
- Master of Business Administration (MBA) with a finance concentration – University of Bahrain
  - Bachelor of Accounting (BSc) - University of Bahrain
  - Certified Public Accountant (CPA) - Delaware State (USA)

**Appointment** 2017

**Experience** Over 24 years of experience between engineering, finance, accounting, and internal audit in different sectors such as petrochemicals, industrial automation, investment banks and oil and gas. Prior to joining the Company, he held various positions and worked for Gulf Petrochemical Industrial Company (GPIC), Yokogawa Middle East, Arcapita Bank and Tatweer Petroleum.

### 9.3 Executive Management Remuneration Policy

The Company bases its Executive Management remuneration practices on the principles prescribed in the Code and the CBB Rulebook, namely the following:

- Attracting and retaining the right caliber of talent with the appropriate skill and knowledge required for their respective roles; and
- Aligning the rewards of employees with Company performance and shareholder return.

The Company implements fair and transparent evaluation frameworks to assess the performance of its employees on an annual basis, which is overseen by the Nomination, Remuneration and Governance Committee. The Company does not currently have any stock options or performance linked incentives for Executive Management.

### 9.4 Executive Management Remuneration

The top five (5) executives of the Company as of 31 December 2020 are as follows:

- Chief Executive Officer
- Chief Technical Officer
- Acting Chief Financial Officer
- General Manager – Support Services (Until 27 February 2020)
- Head of Internal Audit (Until 30 September 2020)

The Company paid the following remuneration to the top (5) executives:

	Remuneration Type	Amount (BD)
1	Salaries (including allowances)	280,279
2	Bonus	56,331
3	Other	41,183
	<b>Total</b>	<b>383,083</b>

## 10. CODE OF CONDUCT AND ETHICS AND WHISTLEBLOWING POLICY

The Company has adopted amended Corporate Governance Guidelines on 31 March 2019, which included a Code of Conduct and Ethics and the Whistleblowing Policy. The aforementioned guidelines which are applicable to both Directors and employees of the Company, are designed to guide individual conduct and behavior and to ensure that a culture of integrity and honesty is promoted, in addition to encouraging employees to uphold the reputation of the Company in all their dealings. The guidelines have been prepared in line with the regulatory requirements and best practices. A copy of the same is maintained on the Company's website at all times.

# Corporate Governance Continued

## 11. KEY PERSONS DEALING POLICY

The Company has implemented a Key Persons Dealing Policy in accordance with the requirements of the CBB and Bahrain Bourse. The aforementioned policy regulates the trading of securities by Directors and members of Executive and Senior Management as they may have access to price sensitive information by virtue of their positions in the Company. A copy of the policy is maintained on the Company's website at all times.

## 12. CONFLICTS OF INTEREST

The Company's Corporate Governance Guidelines prescribe the policies on conflicts of interests for both Directors and employees. The Company requires its Directors and employees to issue an Annual Declaration of Interests. Additionally, in accordance with the Corporate Governance Guidelines, each Director has the responsibility to disclose any material interests relating to business transactions and agreements, whether actual, perceived or potential. For any disclosed conflicts, the conflicted Director will be excluded from any discussions, negotiations or voting relating to the conflict matter.

During 2020, the following are the new conflicts disclosed by the Directors as of 31 December 2020:

CONFLICT OF INTEREST	DECLARED BY
Quantity Surveying Services for Fraser Suites building (Declared capacity relating to HAJ Quantity Surveyors W.L.L.)	Mr. Hesham Abdulrahman Al Rayyes
Set-up of Seef Entertainment W.L.L. branch (Declared capacity relating to Kuwait Finance House (Bahrain) B.S.C.(C))	Mr. Yusuf Ahmed Al Hammadi Mr. Abduljalil Mohamed Janahi Mr. Hamed Yousef Mashal
Needy families house waterproofing project in Bahrain (Declared capacity relating to Royal Humanitarian Foundation)	Dr. Mustafa Ali Al Sayed
Approval of financing proposals received from various financial institutions Declared capacity relating to Kuwait Finance House (Bahrain) B.S.C.(C) Khaleeji Commercial Bank B.S.C.)	Mr. Yusuf Ahmed Al Hammadi Mr. Abduljalil Mohamed Janahi Mr. Hamed Yousef Mashal Mr. Sattam Sulaiman Al Gosaibi
Refugee garden renovation project with Jordan Hashemite Charity Organisation (Declared capacity relating to Royal Humanitarian Foundation)	Dr. Mustafa Ali Al Sayed
Donation of masks to Ministry of Health made by productive needy families to frontline workers and their families (Declared capacity relating to Royal Humanitarian Foundation)	Dr. Mustafa Ali Al Sayed
Issuance of Guarantee and Undertaking to secure Seef Entertainment W.L.L. Murabaha and LC Facility (Declared capacity relating to Kuwait Finance House (Bahrain) B.S.C.(C))	Mr. Yusuf Ahmed Al Hammadi Mr. Abduljalil Mohamed Janahi Mr. Hamed Yousef Mashal

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### **13. RELATED PARTY TRANSACTIONS**

It is the policy of the Company that all related party and intra-company transactions are conducted and undertaken on an arm's length basis in the ordinary course of business and are approved by the Board. All related party transactions have been approved and/or ratified by the Board. Please refer to Note (29) of the financial statements for the details of the related party transactions for the financial year ended 31 December 2020.

### **14. RISK MANAGEMENT**

Risk management is essentially about identifying, monitoring, and controlling all material risks that the Company could be subjected to in its ordinary course of operations. The main types of risks faced by the Company are credit, liquidity, market, technical and operational including outsourcing risks. The risks could be related to investments or corporate and may be internal or external to the operations of the Company. These are detailed in Note (30) of the financial statements.

The Company identifies, assesses, monitors, controls and manages the various risks on an ongoing basis and has relevant procedures and controls as are appropriate and commensurate to the nature, scale and complexity of its business operations. The Executive Committee monitors the investment portfolio and the risks involved and takes proactive measures to mitigate the risks. Internal control risks are controlled by having effective and adequate internal control systems in place which are tested on a regular basis. The Audit Committee is charged with the responsibility of ensuring that adequate internal controls are in place to mitigate any existing or potential risks.

### **15. INTERNAL CONTROL**

The Directors review the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and the Company's high-level internal control arrangements. These reviews have included periodic assessment of internal controls by the Internal Audit function as reported to the Audit Committee on a quarterly basis, management assurance of the maintenance of controls and reports from the External Auditor on matters identified in the course of its statutory audit work.

As of 31 December 2020, the Company had implemented a satisfactory system of internal control which was reasonably effective in ensuring sound financial reporting, operations and compliance with laws and regulations.

## Corporate Governance Continued

### 16. EXTERNAL AUDITOR

Ernst & Young Bahrain was the audit firm which reviewed the financial results of the Company for the financial year ended 31 December 2020. Below are the key details relating to their appointment:

Years of service as the Company's External Auditor	10 years
Name of partner in charge of the Company's audit	Kazim Merchant
The partner's years of service as the partner in charge of the Company's audit	2 Years
Total audit fees related to the financial statements of the financial year 2020	BD 13,250
Other fees and charges for non-audit services, other than auditing the financial statements of the financial year 2020 (includes VAT and other consultancy services)	BD 12,200
<b>TOTAL</b>	<b>BD 25,450</b>

The Audit Committee at the meeting held on 15 February 2021 reviewed the performance of the External Auditor and was satisfied with the same, proposing their re-appointment as the External Auditor of the Company for the financial year 2021. The External Auditor has signified its willingness to continue in office and the proposal for their re-appointment will be put forth for shareholder approval at the next Annual General Meeting.

### 17. CORPORATE GOVERNANCE OFFICER

#### Ms. Maryam Husain

- Qualification**
- Master of Laws (LLM) - University of Warwick (UK)
  - Bachelor of Laws (LLB) - University of Warwick (UK)
  - Postgraduate Diploma in Legal Practice Course (LPC) - College of Law (London – UK)

**Date of Appointment** 5 December 2019

**Contact Details**  
Tel: 77911165  
Email: m.husain@seef.com.bh

### 18. COMPLIANCE WITH THE CODE AND CBB RULEBOOK

The Code and Volume 6 of the CBB Rulebook contain both "Rules" and "Guidance". "Rules" must be complied with, while a "Guidance" may be either complied with or an explanation is provided to the shareholders in the Annual Report as to reasons for non-compliance.

### 18.1 Status of Compliance

Accordingly, as of 31 December 2020, the Company's compliance with the Code is as follows:

PRINCIPLE	NON-COMPLIANT	PARTIALLY COMPLIANT	FULLY COMPLIANT
Principle 1: The Company shall be headed by an effective, qualified, and expert board.			YES
Principle 2: The directors and executive management shall have full loyalty to the Company.			YES
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with the law.			YES
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors.			YES
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.			YES
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			YES
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.		YES	
Principle 8: The Company shall disclose its corporate governance.			YES
Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a.			N/A
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			YES
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.			YES

Under Principle 7 – Second (l) of the Code (Guidance) and HC-7.4.4 of Volume 6 of CBB Rulebook (Guidance), companies are encouraged to consider the possibility of developing electronic means for shareholder communications including appointment of proxies and for confidential proprietary information, companies shall grant controlled access to such information to its shareholders. Currently, there is no controlled access section for shareholders on the website and all information that relates to shareholders is made public on the Company's website or Bahrain Bourse website, and proxies can be submitted to the Share Registrar or Company Secretary via email.

### 19. FINES AND PENALTIES

The Company did not pay any fines and penalties to any governmental and/or regulatory authorities during the financial year ended 31 December 2020.

# Corporate Social Responsibility

## The Company's CSR Philosophy

The Company has always been dedicated to enriching the community and ensuring that its business operates in an ethical, sound and responsible manner. Accordingly, the Company's activities reflect its philosophy of implementing sound business practices, with innovative products and services that inspire its customers, assist the community in which it operates and help shape a better, more sustainable society.

In order to align and respond effectively to evolving social imperatives and changes in the business environment, the Company adopts a holistic approach to CSR to ensure that various sectors of the community and their varying needs are targeted and addressed. The Company undertakes an active role in helping local communities achieve their aspirations via a combination of volunteer work and patronage to sustain this objective. The Company further believes in the necessity of public inclusion, paying particular attention to enabling vulnerable and underprivileged groups to become active members of vibrant social and economic interactions.

## CSR Strategy

The Company's current strategy focuses on building a sound CSR image while capitalizing on knowledge of real estate development, corporate culture, collaboration, and community. The Corporate Social Responsibility Committee, through the Management Sub-Committee, has examined the seventeen (17) sustainable development

goals stipulated by the United Nations and elected to focus on the following five (5) goals in formulating the strategy:

- a. No Poverty: Economic growth must be inclusive to provide sustainable jobs and promote equality.
- b. Good Health and Well-Being: Promoting the well-being for all at all ages is essential to sustainable development.
- c. Quality Education: Obtaining quality education is the foundation to improving people's lives and promoting sustainable development.
- d. Reducing Inequalities: To reduce inequalities, policies should be universal in principle, paying attention to the needs of the disadvantaged and marginalized populations.
- e. Partnership for the Goal: Revitalize global partnerships for sustainable development.

## 2020 CSR Strategic Pillars

In implementing the abovementioned strategy, the Company focused on the following strategic pillars:

- a. Support: allocation of donations should be apportioned to serve various sectors, including disability and special needs, education, the elderly, health and well-being, culture, orphans, Islamic initiatives amongst others.
- b. Developing Sustainable Income Sources: Focus will be on going beyond financial contributions and providing societies and communities with opportunities and tools

that present consistent income, thereby enabling them to be self-sufficient. The Company aims to equip society with the right tools to not only have a financially prosperous future but also one which is safe, secure and enriching.

- c. Building a CSR culture within the Company: Efforts will be focused on creating ambassadors and leaders in society via staff engagement in events.
- d. Spreading Awareness: Focus will be on selecting key values and campaigning for the same during the year via organizing multiple events.

## CSR Shareholder Approved Budget

The Annual General Meeting convened on 25 March 2020 approved an overall budget of BD 170,000 to be allocated to the Company's CSR Program. The Company makes direct donations and contributions to various official entities in the Kingdom of Bahrain and ensures that such donations are utilized effectively by the recipients via periodic monitoring. The Company further utilizes such budget in various initiatives and activities that further its strategy.

The overall budget utilization as of 31 December 2020 is as follows:

INITIATIVE	AMOUNT (BD)
Completed	98,454
2020 Budget to be carried over in 2021	(71,546)
<b>TOTAL</b>	<b>170,000</b>

### 2020 Activities

During 2020, the Company's committed, ongoing, and completed activities included various donations and contributions, primarily directed towards healthcare and mitigation of the impacts of COVID-19 on the community, social welfare, educational institutions, national sports events and ensuring that the underprivileged are provided with the tools and means to secure a better future. Furthermore, employees also made a significant contribution by sharing their skills, business acumen and expertise with the community. This includes participation in a broad range of training seminars and workshops granting students from educational establishments the opportunity to apply theoretical knowledge into practical implementation to develop vision and leadership capabilities.

Due to the onset of the COVID-19 pandemic and its related restrictions and social distancing consideration, the Company had to revise, suspend and/or postpone its planned initiatives for 2020 and direct a significant portion of the shareholder approved budget towards contributing to COVID-19 relief and mitigation initiatives in fulfillment of its national duty.

The following are the completed activities during 2020:

CSR ACTIVITIES	AMOUNT (BD)
Donation to National Taskforce for Combating COVID-19	50,000
Contribution to Bahrain National Football Team for their historic achievement	24,000
Donation to Jordan Hashemite Charity Organization (via the Royal Humanitarian Foundation) to renovate the garden in the Zaatar Camp	5,000
Contribution to the Royal Humanitarian Foundation's project to waterproof needy family homes prior to raining season	5,000
Funding the production of 10,000 masks by productive needy families through the Royal Humanitarian Foundation to be donated to the Ministry of Health frontline workers and their families	6,000
Competition for University of Bahrain students for architectural design of kiosks in Al Liwan mixed use development, with participating students awarded cash prizes for best design.	2,250
Organization of lunch for the elderly from Al Manar Elderly Daycare Society in Hala Café in Seef Mall (Seef District)	6,204
Organization of lunch for Seef Mall regular visitors in Seef Mall (Seef District)	
Organization of fun day for orphans from Al Sanabil Charity Society in Magic Island	
Organization of Sports Day activities for orphans under the care of the Royal Humanitarian Foundation in Seef Mall (Seef District) with attendance of Bahrain Football Team	
<b>TOTAL</b>	<b>98,454</b>

# Corporate Social Responsibility Continued

## Tenant Support Fund

The Company was one of the first national companies to announce a Tenant Support Fund for its commercial malls amounting to a total of approximately BD 1.5 million in rent waivers and approximately BD 3.5 million in rent deferrals which provided tenants significant aid to overcome the challenges of the pandemic while maintaining the momentum of their businesses. This step was undertaken to further enhance sustainable partnerships with local, regional, and global tenants, with whom strong relationships have been built, some of which spanning more than two (2) decades.

## Environmental Preservation Commitment

The Company is committed to identifying areas of its operations whereby environmental and sustainability enhancements can be achieved and will continue such initiatives in 2021.

### a. Energy Consumption:

From such belief, the Company has undertaken the following concrete steps during the last five (5) years targeted primarily at efficient utility consumptions:

- i. Replaced most conventional lighting used across its commercial properties to LED energy efficient lighting;
- ii. Installed capacitor banks in its commercial properties aimed at minimizing electricity wastage;
- iii. Skylights across its commercial properties has been replaced with double-glazed glass to reduce heat gain within the malls, while increasing air-conditioning temperatures for maximum energy efficiency; and
- iv. Commencing in 2018, the Company is undertaking a full phased plan for replacement of its chillers in Seef Mall (Seef District), with new energy efficient models with seven (7) chillers replaced since then, and ten (10) remaining for gradual replacement by 2023. Electricity usage savings made from each replaced chiller is approximately 20%.

Despite the increase in Government tariffs for utilities (electricity and water), the abovementioned measures to date have resulted in a noticeable reduction in electricity usage. The following is a comparison of the electricity consumption figures for the years 2015 to 2020:

Energy Consumption	2015	2016	2017	2018	2019	2020
Electricity (kWh)	63,081,800	61,384,200	58,613,400	55,987,200	52,378,000	36,312,240

Note: the abovementioned consumption figures relate to Seef Mall (Seef District) only. Further energy savings were made for other properties.

In 2020, and during Government mandated closures affecting malls and retail/food and beverage outlets, the Company applied rigorous energy efficiency measures commensurate with the level of operations in its malls. Furthermore, the Company signed various memorandums of understanding with renewable energy consultants to undertake a comprehensive assessment of solar energy options for its commercial malls. The Company will continue to evaluate all proposals during 2021 to identify energy efficient opportunities.

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**b. Water Consumption, Hygiene and Consumables:**

The Company has commenced a phased and comprehensive public toilets renovation project in Seef Mall (Seef District), and has accounted for various water consumption, hygiene and reduction in consumables initiatives as follows:

- i. Installing electronic WC flushing cisterns which are designed to deliver controlled amounts of water to avoid unnecessary wastage;
- ii. Installing mixers which ensure optimum power and water saving performance via an automatic microsensor positioned at the tip of the spout;
- iii. Installing hand dryers which emit 78% less CO<sub>2</sub> than other dryers and 78% less than paper towels;
- iv. Installing automatic towel dispensers, which save up to 30% compared to folded towels and feature adjustable pull lengths and stub roll utilization for zero waste; and
- v. Installing automatic "touch free" liquid soap dispensers to minimize cross contamination and deliver controlled amounts to avoid unnecessary wastage.

The Company expects that the abovementioned is likely to have a positive impact in terms of cost savings and utilization of consumables. The full impact will be assessed once the project is completed.

# Independent Auditor's Report to The Shareholders of Seef Properties B.S.C.

## Report on Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the accompanying consolidated financial statements of Seef Properties B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for opinion*

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

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

# Independent Auditor's Report to The Shareholders of Seef Properties B.S.C.

## 1. Valuation of investment properties

Investment properties comprise 79% of the Group's total assets as at 31 December 2020. The Group's investment properties consist of malls, serviced apartments property and commercial properties located within the Kingdom of Bahrain. These investment properties are measured at fair value determined by independent, external, specialist valuers.

The valuation of the investment properties is highly dependent on estimates and assumptions, such as rental yields, property location, occupancy rates, discount rates, maintenance status, and market knowledge. Because of the complexity of fair value requirements, significance of judgements and estimates applied and the Group's exposure to investment properties forming a major portion of the Group's total assets, the audit of fair value measurement of investment properties is a key area of focus.

Refer to note 2.6 to the consolidated financial statements for significant accounting policies, note 3 and note 7 for disclosure of valuation methods, significant estimates and assumptions and note 31 for quantitative disclosures of fair value measurement hierarchy pertaining to investment properties.

## How the key audit matter was addressed in the audit

Our audit procedures in relation to valuation of investment properties included, among others:

- Evaluation of the independent external valuers' objectivity, independence and relevant expertise for the Group's investment properties;
- Holding discussions with management and challenging the key assumptions and estimates adopted in the valuations, on a sample basis, with available market data;
- Involvement of our internal specialist to review the valuation of a sample of investment properties of the Group covering majority of the amount recorded in the financial statements. Our internal specialist assessed the appropriateness of methodology and key assumptions used by the independent external valuator;
- Assessing the completeness and consistency of information provided by the Group to the independent external valuator; and evaluating the accuracy of the key inputs used in the valuation on a sample basis; and
- We also evaluated the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions as included in notes to the consolidated financial statements.

### *Other information included in the Group's 2020 annual report*

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Chairman and the Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Chairman's Report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Board of Directors for the consolidated financial statements*

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

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

# Independent Auditor's Report to The Shareholders of Seef Properties B.S.C.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

# Independent Auditor's Report to The Shareholders of Seef Properties B.S.C.

## Report on Other Legal and Regulatory Requirements

We report that:

- a) as required by the Bahrain Commercial Companies Law, we report that:
  - i. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
  - ii. the financial information contained in the Chairman's Report is consistent with the consolidated financial statements; and
  - iii. satisfactory explanations and information have been provided to us by Management in response to all our requests.
- b) We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2020 that might have had a material adverse effect on the business of the Company or on its consolidated financial position.
- c) As required by Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company:
  - i. has appointed a Corporate Governance Officer; and
  - ii. has a board approved written guidance and procedures for corporate governance.

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

Auditor's Registration No. 244

17 February 2021

Manama, Kingdom of Bahrain

# Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 BD	2019 BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, equipment and furniture	4	888,089	1,333,302
Capital work-in-progress	6	554,661	652,230
Investment properties	7	137,316,526	137,846,854
Investment in an associate and a joint venture	8	23,968,102	18,861,526
Right-of-use assets	9	2,032,527	2,110,311
		<b>164,759,905</b>	160,804,223
<b>Current assets</b>			
Trade and other receivables	10	5,038,749	3,167,796
Bank balances and cash	11	3,479,742	10,350,468
		<b>8,518,491</b>	13,518,264
<b>TOTAL ASSETS</b>		<b>173,278,396</b>	174,322,487
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	46,000,000	46,000,000
Statutory reserve	13	23,000,000	22,510,000
Furniture and fixtures replacement reserve	14	264,686	246,521
Retained earnings		82,901,424	85,785,439
<b>Equity attributable to equity holders of the parent</b>		<b>152,166,110</b>	154,541,960
Non-controlling interest		3,823,206	3,821,242
<b>Total equity</b>		<b>155,989,316</b>	158,363,202
<b>Non-current liabilities</b>			
Term loan - non-current portion	17	5,629,340	5,995,175
Lease liability - non-current portion	18	2,490,694	2,505,718
Employees' end of service benefits	19	250,017	262,043
		<b>8,370,051</b>	8,762,936
<b>Current liabilities</b>			
Unclaimed dividends	20	885,077	3,591,979
Trade and other payables	21	2,690,140	2,964,884
Term loan - current portion	17	5,328,787	612,869
Lease liability - current portion	18	15,025	26,617
		<b>8,919,029</b>	7,196,349
<b>Total liabilities</b>		<b>17,289,080</b>	15,959,285
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>173,278,396</b>	174,322,487

**Essa Mohamed Najibi**  
Chairman

**Dr. Mustafa Al Sayed**  
Vice Chairman

**Ahmed Yusuf**  
Chief Executive Officer

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 BD	2019 BD
<b>INCOME</b>			
Property rental income and service charges - net		10,512,989	13,262,738
Income from serviced apartments		687,253	2,038,507
Leisure and recreational income		260,300	1,731,589
		<b>11,460,542</b>	17,032,834
Less: cost of sales	22	1,946,527	3,135,012
<b>GROSS PROFIT</b>		<b>9,514,015</b>	13,897,822
Other operating income	23	848,054	1,092,181
Profit on term deposits		40,210	135,852
<b>OPERATING PROFIT</b>		<b>10,402,279</b>	15,125,855
<b>EXPENSES</b>			
General and administrative expenses	24	2,368,223	3,478,635
Depreciation	5	744,769	716,085
Other expenses	25	425,000	425,000
Expected credit losses	10	834,003	44,083
Finance costs	16	700,218	651,039
		<b>5,072,213</b>	5,314,842
<b>PROFIT BEFORE FAIR VALUE CHANGES IN INVESTMENT PROPERTIES AND SHARE OF PROFIT FROM INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE</b>			
		<b>5,330,066</b>	9,811,013
Unrealised fair value (loss) gain on investment properties	7	(1,094,451)	1,175,687
Share of profit from investment in an associate and a joint venture	8	290,499	203,607
<b>NET PROFIT FOR THE YEAR</b>		<b>4,526,114</b>	11,190,307
<b>Other comprehensive income</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>4,526,114</b>	11,190,307
<b>Attributable to:</b>			
Equity holders of the parent		4,524,150	10,925,958
Non-controlling interest		1,964	264,349
		<b>4,526,114</b>	11,190,307
Basic and diluted earnings per share attributable to equity holders of the parent (fils)	26	9.84	23.75

**Essa Mohamed Najibi**  
Chairman

**Dr. Mustafa Al Sayed**  
Vice Chairman

**Ahmed Yusuf**  
Chief Executive Officer

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 BD	2019 BD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		<b>4,526,114</b>	11,190,307
Adjustments for:			
Depreciation	4	<b>750,298</b>	850,502
Loss on disposal of property, equipment and furniture		-	2,560
Profit on term deposits		<b>(40,210)</b>	(135,852)
Finance costs	16	<b>700,218</b>	651,039
Other expense	25	<b>425,000</b>	425,000
Expected credit losses	10	<b>834,003</b>	44,083
Provision for employees' end of service benefits	19	<b>46,993</b>	47,712
Unrealised fair value loss (gain) on investment properties	7	<b>1,094,451</b>	(1,175,687)
Share of profit from investment in an associate and a joint venture	8	<b>(290,499)</b>	(203,607)
Other adjustments		<b>90,000</b>	265,000
Operating profit before working capital changes		<b>8,136,368</b>	11,961,057
Working capital changes:			
Trade and other receivables		<b>(2,704,956)</b>	(672,983)
Trade and other payables		<b>(362,290)</b>	(69,186)
		<b>5,069,122</b>	11,218,888
Profit received on fixed deposit		<b>40,210</b>	127,901
Direct utilisation of furniture and fixtures replacement reserve		-	(23,816)
Employees' end of service benefits paid	19	<b>(59,019)</b>	(79,022)
Other expenses paid		<b>(337,454)</b>	(418,921)
Net cash flows from operating activities		<b>4,712,859</b>	10,825,030
<b>INVESTING ACTIVITIES</b>			
Purchase of property, equipment and furniture	4	<b>(305,085)</b>	(390,435)
Capital work-in-progress	6	<b>(34,503)</b>	(299,541)
Additions to investment properties	7	<b>(432,051)</b>	(317,459)
Additional investment in an associate and a joint venture	8	<b>(4,906,077)</b>	-
Net movement in term deposits		<b>2,800,000</b>	(2,252,389)
Net cash flows used in investing activities		<b>(2,877,716)</b>	(3,259,824)
<b>FINANCING ACTIVITIES</b>			
Dividends paid	20	<b>(9,606,902)</b>	(6,558,176)
Movement in bank balances representing unclaimed dividends		<b>552,548</b>	(72,217)
Term loan obtained / (repaid)		<b>4,350,083</b>	(723,185)
Finance costs paid		<b>(649,050)</b>	(598,660)
Net cash flows used in financing activities		<b>(5,353,321)</b>	(7,952,238)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		<b>6,708,848</b>	7,095,880
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	11	<b>3,190,670</b>	6,708,848

## Non-cash items:

- 1) Movement in donations and charitable contributions of BD 87,546 (2019: BD 6,079) has been excluded from trade and other payables.
- 2) Movement in profit on term deposits of BD Nil (2019: BD 7,951) has been excluded from trade and other receivables.

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

# Consolidated Statement of Changes In Equity

For the year ended 31 December 2020

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

\* Retained earnings as at 31 December 2020, include BD 596,683 relating to the statutory reserve of the subsidiaries.

	Notes	Equity attributable to equity holders of the parent					Total BD
		Share capital	Statutory reserve	Furniture and fixtures replacement reserve	Retained earnings*	Non-controlling interest	
		BD	BD	BD	BD	BD	
Balance as at 1 January 2019		46,000,000	21,410,000	303,730	82,826,088	3,649,293	154,189,111
Net profit and total comprehensive income		-	-	-	10,925,958	264,349	11,190,307
Dividends for 2018	15	-	-	-	(6,900,000)	(92,400)	(6,992,400)
Transfer to statutory reserve	13	-	1,100,000	-	(1,100,000)	-	-
Transfer to furniture and fixtures replacement reserve	14	-	-	61,155	(61,155)	-	-
Furniture and fixtures replacement reserve utilised		-	-	(94,548)	94,548	-	-
Direct utilisation of furniture and fixtures replacement reserve		-	-	(23,816)	-	-	(23,816)
<b>Balance at 31 December 2019</b>		<b>46,000,000</b>	<b>22,510,000</b>	<b>246,521</b>	<b>85,785,439</b>	<b>3,821,242</b>	<b>158,363,202</b>

\* Retained earnings as at 31 December 2019, include BD 595,969 relating to the statutory reserve of the subsidiaries.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 1 ACTIVITIES

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

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

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

During the year ended 31 December 2020, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. Authorities have taken various measures to contain the spread and announced various support measures to counter possible adverse implications. The Group has recognised the assistance provided by the Government of the Kingdom of Bahrain as a reduction to relevant expense category. The Group has been closely monitoring the latest developments in the current evolving situation. Although these developments caused disruptions in the Group's operations as of 31 December 2020, the scale and duration of these developments remain uncertain at this stage. The Group has considered the potential impacts of the current economic volatility in determining the reported amounts of the Group's financial and non-financial assets and liabilities as at 31 December 2020. However, market remains volatile and the recorded amounts remain sensitive to market fluctuations, the extent of which is presently undeterminable.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 17 February 2021.

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

Name	Percentage of holding		Principal activities
	2020	2019	
<b>Subsidiaries</b>			
Fraser Suites Seef - Bahrain W.L.L.	100%	100%	Hotel, tourist furnished flats and restaurants for tourist services management.
Seef Entertainment W.L.L.	100%	100%	Management of amusement parks and theme parks and other amusement and recreation activities.
The Muharraq Mall Co. W.L.L.	72.5%	72.5%	Management of real estate including malls.
<b>Associate</b>			
Binaa Al Bahrain B.S.C. (c)	25%	25%	Real estate business.
<b>Joint Venture</b>			
Lama Real Estate W.L.L.	50%	50%	Real estate business.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

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

### 2.2 Basis of preparation

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

### 2.4 New and amended standards and interpretations effective as of 1 January 2020

The accounting policies adopted are consistent with those of the previous financial year, except for the IASB's following new and amended standards and interpretations which are effective as of 1 January 2020. The adoption of these standards and interpretations did not have any effect on the Group's consolidated financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### Interest Rate Benchmark Reform ("IBOR") – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform phase 1)

IBOR reform phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether an economic relationship exists and whether prospectively the hedging relationship is expected to be effective.

The Group has no hedging instruments as of the reporting date and therefore this had no impact on the consolidated financial statements of the Group.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.4 New and amended standards and interpretations effective as of 1 January 2020 *(continued)*

#### Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group during the current year, but may impact future periods should the Group enter into any business combinations.

#### Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

#### Amendments to IFRS 16 COVID-19 Related Rent Concessions

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

This had no impact on the consolidated financial statements of the Group as the Group mainly acts as a lessor.

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

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

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

The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact that the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a First-time Adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. This will have no impact on the consolidated financial statements of the Group as the Group is not a first time IFRS adopter.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.5 New and amended standards and interpretations issued but not yet effective *(continued)*

#### **IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities**

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

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

#### **Amendments to IAS 37 – Onerous Contracts: – Cost of Fulfilling a Contract**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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

#### **Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use**

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

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

#### **Amendments to IFRS 3 – Reference to the Conceptual Framework**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.5 New and amended standards and interpretations issued but not yet effective *(continued)*

#### Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (IBOR reform phase 2)

On 27 August 2020 the IASB published 'Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary reliefs to address the accounting issues which arise upon the replacement of an IBOR with an alternative nearly risk-free profit rate. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The impact of the replacement of interbank offered rates with alternative risk-free rates on the Group's products and services remains a key area of focus. The Group has exposure to contracts referencing IBORs, such as LIBOR, extending beyond FY2021, when it is likely that these IBORs will cease being published or any subsequent timeline as determined by the relevant bodies. The Group is currently assessing the impact of the transition to the new rate regimes after 2021 by considering changes in its products, services, systems and reporting and will continue to engage with internal and external stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

### 2.6 Significant accounting policies

#### Business combinations

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

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

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

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

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

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Current versus non-current classification

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

An asset is presented as current when it is:

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

All other assets are classified as non-current.

A liability is presented as current when:

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

The Group classifies all other liabilities as non-current.

#### Investment in associates and joint ventures

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

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

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

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

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

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Investment in associates and joint ventures *(continued)*

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

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

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

#### Property, equipment and furniture

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

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

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

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

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

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

#### Capital work-in-progress

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

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

#### Investment properties

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Investment properties *(continued)*

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

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

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

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

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

#### Impairment of non-financial assets

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

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

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

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets and financial liabilities

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

##### i) Financial assets

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

#### Initial recognition and measurement

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

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

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

#### Subsequent measurement

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

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

#### Financial assets at amortized cost

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

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Financial assets at amortized cost *(continued)*

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

##### *Trade receivables*

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

##### *Bank balances and cash*

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

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

#### **Derecognition**

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

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

#### **Impairment of financial assets**

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

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

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Amortised cost of financial instruments

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

#### Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Fair value measurement *(continued)*

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

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

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

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

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

#### ii) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities at fair value through profit or loss, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and term loan.

##### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

##### Trade and other payables

Trade and other payables and accruals are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Derecognition of financial liability

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

#### Borrowing costs

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

#### Provisions

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

#### Employees' end of service benefits

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

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

#### Revenue recognition

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

#### Rental income

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

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### Revenue recognition *(continued)*

##### *Service charges and expenses recoverable from tenants*

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

##### *Interest income*

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

#### Foreign currencies

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

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

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

#### Government grants

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

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

Government assistance amounting to BD 677,078 is recorded in profit or loss during the current period. The amount was recorded as a deduction from related expenses in consolidated statement of comprehensive income.

#### Leases

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6 Significant accounting policies *(continued)*

#### i) Right-of-use assets

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

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

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

#### Short-term leases and leases of low-value assets

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

#### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### Group as a lessor

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

#### Cash dividend

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

### Judgements

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

#### *Going concern*

As at 31 December 2020, the current liabilities of the Group exceeds its current assets by BD 400,538. Management of the Group have assessed the Group's financial position and based on such an assessment, including a cashflow analysis prepared for a period of 12 months, is confident that the Group would be able to repay all its obligations on a timely basis through a combination of (a) generating significant cashflows from operations; (b) renegotiated repayment terms of its term loans (refer to Note 17); and (c) raising further financing, if needed.

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

#### **Property lease classification - Group as lessor**

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

### **Estimates and assumptions**

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

### **Revaluation of investment properties**

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of comprehensive income. The Group assessed the fair value of its investment properties internally on the basis of a valuation carried out by an independent valuation specialist as at 31 December 2019. For investment properties, a valuation methodology based on income yield capitalisation model was used, as there is a lack of comparable market data because of the nature of the properties.

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

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

### **Useful lives of property, equipment and furniture**

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

### **Impairment of trade receivables**

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

At the reporting date, gross trade receivables amounted to BD 7,507,878 (2019: BD 3,321,881) and provision for expected credit losses is BD 1,991,758 (2019: BD 1,157,755). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

### **Leases - Estimating the incremental borrowing rate**

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 4 PROPERTY, EQUIPMENT AND FURNITURE

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

2019	Building on leasehold land BD	Equipment BD	Furniture and fixtures BD	Motor vehicles BD	Total BD
Cost:					
At 1 January 2019	21,992,938	5,679,089	4,884,114	136,363	32,692,504
Additions	-	367,713	6,365	16,357	390,435
Transfers to investment properties	(21,992,938)	-	-	-	(21,992,938)
Disposals	-	(98,900)	(1,415)	-	(100,315)
At 31 December 2019	-	5,947,902	4,889,064	152,720	10,989,686
Accumulated depreciation:					
At 1 January 2019	1,311,949	4,929,284	3,858,185	116,168	10,215,586
Depreciation charge for the year	-	431,172	405,631	13,699	850,502
Relating to disposals / transfers	(1,311,949)	(96,523)	(1,232)	-	(1,409,704)
Adjustments	-	(745)	745	-	-
At 31 December 2019	-	5,263,188	4,263,329	129,867	9,656,384
Net carrying values:					
At 31 December 2019	-	684,714	625,735	22,853	1,333,302

Depreciation charges have been allocated in the consolidated statement of comprehensive income as follows:

	2020 BD	2019 BD
Cost of sales (note 22)	<b>83,313</b>	209,772
Expenses	<b>666,985</b>	640,730
	<b>750,298</b>	850,502

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 5 DEPRECIATION

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

	2020 BD	2019 BD
Depreciation of property, equipment and furniture (note 4)	666,985	640,730
Depreciation of right-of-use assets (note 9)	77,784	75,355
	<b>744,769</b>	716,085

## 6 CAPITAL WORK-IN-PROGRESS

	2020 BD	2019 BD
At 1 January	652,230	352,689
Capital expenditure incurred during the year	34,503	299,541
Transfers to investment properties (note 7)	(132,072)	-
At 31 December	<b>554,661</b>	652,230

## 7 INVESTMENT PROPERTIES

	2020 BD	2019 BD
At 1 January	137,846,854	115,672,719
Transfers from property, equipment and furniture (note 4)	-	20,680,989
Unrealised fair value (loss) gain	(1,094,451)	1,175,687
Transfers from capital work-in-progress (note 6)	132,072	-
Expenditure incurred during the year	432,051	317,459
At 31 December	<b>137,316,526</b>	137,846,854

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

At the 31 December 2020 and 31 December 2019, the fair values of the properties are based on valuations performed by independent surveyors. In certain cases, management has internally made some downward adjustments to such valuations by adjusting certain assumptions to more prudent set of assumptions. The surveyors are industry specialists in valuing these types of investment properties. The valuations undertaken are based on the income yield capitalisation method or discounted cash flow method.

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 7 INVESTMENT PROPERTIES (continued)

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

Properties	Significant unobservable inputs	2020	2019
Mall Properties	Estimated rental value per annum	<b>BD 11,130,373</b>	BD 12,029,361
	Occupancy rate	<b>81% - 91%</b>	90% - 93%
	Equivalent yield	<b>8% to 9.5%</b>	8% to 9.5%
Fraser Suites - Seef	Estimated rental value per annum	<b>BD 1.8 million to</b>	BD 2 million to
	Occupancy rate	<b>BD 2.7 million</b>	BD 2.7 million
	Equivalent yield and discount rate	<b>70% to 80%</b> <b>10.00%</b>	75% to 80% 10.00%
Other commercial properties	Estimated rental value per annum	<b>BD 1,595,400</b>	BD 1,359,840
	Occupancy rate	<b>100%</b>	100%
	Equivalent yield	<b>6.0% - 9.0%</b>	6.0% - 9.0%

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

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

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

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

## 8 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

	2020	2019
	BD	BD
At 1 January	<b>18,861,526</b>	18,922,919
Additional investment during the year	<b>4,906,077</b>	-
Share of results of an associate and joint venture	<b>290,499</b>	203,607
Other adjustments	<b>(90,000)</b>	(265,000)
At 31 December	<b>23,968,102</b>	18,861,526

# Notes to The Consolidated Financial Statements

At 31 December 2020

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

The summarised financial information of the joint venture, based on financial statements and reconciliation with the carrying amount of investment included in the consolidated financial statements are set out below:

	2020	2019
	BD	BD
Joint venture's summarised statement of financial position:		
Current assets	7,097,918	2,709,782
Non-current assets	32,240,053	18,751,602
Current liabilities	(1,991,609)	(1,852,081)
Non-current liabilities	(19,749,376)	(2,023,421)
<b>Equity</b>	<b>17,596,986</b>	<b>17,585,882</b>

	2020	2019
	BD	BD
Joint venture's summarised statement of profit or loss:		
Revenue	72,581	32,070
Expenses	(61,478)	(61,536)
<b>Profit / (loss) for the year</b>	<b>11,103</b>	<b>(29,466)</b>
<b>Group's share of profit / (loss) for the year</b>	<b>5,552</b>	<b>(14,733)</b>

Summarised financial information of the associate, based on financial statements and reconciliation with the carrying amount of investment included in the consolidated financial statements are set out below:

	2020	2019
	BD	BD
Associate's summarised statement of financial position:		
Current assets	31,168,542	20,402,701
Non-current assets	30,945,973	30,886,701
Current liabilities	(16,090)	(21,610)
<b>Equity</b>	<b>62,098,425</b>	<b>51,267,792</b>

	2020	2019
	BD	BD
Associate's summarised statement of profit or loss:		
Revenue	1,166,505	892,268
Expenses	(22,727)	(18,910)
<b>Profit for the year before adjustment</b>	<b>1,143,778</b>	<b>873,358</b>
Adjustments	(3,990)	-
<b>Profit for the year</b>	<b>1,139,788</b>	<b>873,358</b>
<b>Group's share of profit for the year</b>	<b>284,947</b>	<b>218,340</b>

The joint venture and associate had no material contingent liabilities at 31 December 2020 and 31 December 2019. The joint venture cannot distribute their profits until it obtains the consent from both venture partners. The Group's share of joint venture's capital commitments at reporting date is disclosed in note 27.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 9 RIGHT-OF-USE ASSETS

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

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

	Land BD	Compactors BD	Motor vehicles BD	Total BD
As at 1 January 2019	2,150,771	-	2,303	2,153,074
Additions during the year	-	32,592	-	32,592
Depreciation for the year	(61,159)	(12,222)	(1,974)	(75,355)
As at 31 December 2019	2,089,612	20,370	329	2,110,311

## 10 TRADE AND OTHER RECEIVABLES

	2020 BD	2019 BD
Rents and service charges receivable	6,740,375	3,321,881
Less: provision for expected credit losses	(1,991,758)	(1,157,755)
	4,748,617	2,164,126
Due from related parties (note 29)	49,459	579,172
Other receivables	76,242	108,574
Prepayments	107,757	128,200
Advances to suppliers	56,674	187,724
	5,038,749	3,167,796

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

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

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

	2020 BD	2019 BD
At 1 January	1,157,755	1,332,908
Charge for the year	834,003	44,083
Written off during the year	-	(219,236)
At 31 December	1,991,758	1,157,755

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 10 TRADE AND OTHER RECEIVABLES (continued)

The Group applies the simplified approach prescribed by IFRS 9 to provide for ECL on trade receivables. The loss allowance provision as at 31 December 2020 and 31 December 2019 incorporates certain forward looking factors and its ageing composition is set out below:

	Total BD	Past due but not impaired				
		0-30 days BD	31-60 days BD	61-90 days BD	91 to 120 days BD	over 120 days BD
<b>31 December 2020</b>						
<b>Gross carrying amounts 2020</b>	<b>7,507,878</b>	<b>1,367,024</b>	<b>670,163</b>	<b>60,132</b>	<b>689,286</b>	<b>4,721,273</b>
Loss allowance	(1,991,758)	(362,657)	(177,787)	(15,952)	(182,860)	(1,252,502)
<b>31 December 2019</b>						
Gross carrying amounts 2019	3,321,881	847,593	346,796	38,745	255,731	1,833,016
Loss allowance	(1,157,755)	(295,406)	(120,867)	(13,504)	(89,128)	(638,850)

## 11 BANK BALANCES AND CASH

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

	2020 BD	2019 BD
Cash on hand, bank balances and term deposits	<b>3,479,742</b>	10,350,468
Less: Term deposits with original maturity of more than three months	-	(2,800,000)
Bank balances representing unclaimed dividends (note 15)	<b>(289,072)</b>	(841,620)
	<b>3,190,670</b>	6,708,848

Bank balances are held in commercial banks in the Kingdom of Bahrain and are non-interest bearing. Term deposits were placed during 2019 for varying periods ranging between one month to one year. The profit rates on term deposits at 31 December 2019 ranged from 3.5% to 3.6%.

## 12 SHARE CAPITAL

	2020 BD	2019 BD
Authorised: 1,000,000,000 shares of BD 0.100 each	<b>100,000,000</b>	100,000,000
Issued, subscribed and fully paid-up: 460,000,000 shares (2019: 460,000,000 shares) of BD 0.100 each	<b>46,000,000</b>	46,000,000

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 13 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's articles of association require 10% of the profit for the year to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year, BD 490,000 (2019: BD 1,100,000) of the profit for the year was transferred to the statutory reserve and as of the reporting date the statutory reserves totals 50% of the paid up share capital.

## 14 FURNITURE AND FIXTURES REPLACEMENT RESERVE

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

## 15 DIVIDENDS DECLARED

At the Annual General Meeting held on 25 March 2020, the Company's shareholders approved to pay a final dividend of BD 0.015 per share totalling BD 6,900,000. Dividend paid amounting to BD 9,606,902 relate to 2019 and before (refer note 20).

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

## 16 FINANCE COSTS

Finance costs comprise of:

	2020	2019
	BD	BD
Finance costs on term loan	<b>459,683</b>	409,315
Finance costs on lease liability	<b>240,535</b>	241,724
	<b>700,218</b>	651,039

## 17 TERM LOAN

This partly represents a term loan facility obtained by the Group's subsidiary Muharraq Mall Co. W.L.L. from a commercial bank in the Kingdom of Bahrain to finance the development of Muharraq Seef Mall. The term loan carries an interest at the rate of 2.95% plus 3 months LIBOR and is repayable in 40 quarterly instalments commencing from December 2018. During December 2020 the repayment of the loan was extended by one quarter up to March 2029. The effective interest rate on the loan at 31 December 2020 was 3.89% (2019: 5.98%).

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 17 TERM LOAN (continued)

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

Subsequent to year end, the Group's subsidiary Muharraq Mall Co. W.L.L., pursuant to a circular issued by the Central Bank of Bahrain was granted a deferral of six months on its term loan repayment due to which the maturity date of the loan was extended by two quarters up to September 2029. Moreover, the Company was also granted a deferral of twelve months on its term loan repayment due to which the maturity date of the term loan was extended by four quarters up to April 2022. Given these deferrals were subsequent to 31 December 2020 these have not been adjusted in these consolidated financial statements. However, if the deferral of the loans were to be adjusted in these consolidated financial statements as at 31 December 2020 this would have resulted in the current assets of the Group to be higher than the current liabilities as at 31 December 2020.

Movement in the term loan is as follows:

	2020 BD	2019 BD
At 1 January	6,608,044	7,331,229
Additional loan during the year	4,500,000	-
Finance costs for the year	459,683	409,315
Repayments during the year	(609,600)	(1,132,500)
At 31 December	10,958,127	6,608,044

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

	2020 BD	2019 BD
Current	5,328,787	612,869
Non-current	5,629,340	5,995,175
	10,958,127	6,608,044

## 18 LEASE LIABILITY

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 18 LEASE LIABILITY (continued)

The movement of the lease liability is as follows:

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

	Leasehold land BD	Leasehold compactors BD	Leasehold motor vehicles BD	Total BD
Balance at 1 January 2019	2,520,312	-	2,408	2,522,720
Additions during the year	-	32,591	-	32,591
Lease payments during the year	(250,000)	(12,600)	(2,100)	(264,700)
Finance costs for the year	241,060	621	43	241,724
Balance at 31 December 2019	2,511,372	20,612	351	2,532,335

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

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

	2019			
	Leasehold land BD	Leasehold compactors BD	Leasehold motor vehicles BD	Total BD
Current	9,842	16,424	351	26,617
Non-current	2,501,530	4,188	-	2,505,718
	2,511,372	20,612	351	2,532,335

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 19 EMPLOYEES' END OF SERVICE BENEFITS

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2020 amounted to BD 162,227 (2019: BD 165,905).

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

	2020 BD	2019 BD
At 1 January	262,043	293,353
Charge for the year	46,993	47,712
Paid during the year	(59,019)	(79,022)
At 31 December	250,017	262,043

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

	2020 BD	2019 BD
Staff costs (note 24:1)	42,055	36,166
Cost of sales	4,938	11,546
	46,993	47,712

## 20 UNCLAIMED DIVIDENDS

	2020 BD	2019 BD
At 1 January	3,591,979	3,157,755
Dividends declared (note 15)	6,900,000	6,900,000
Dividends relating to non-controlling interest of a subsidiary	-	92,400
Dividends paid * (note 15)	(9,606,902)	(6,558,176)
At 31 December	885,077	3,591,979

\* During the year, the Company has transferred unclaimed dividends amounting to BD 3,433,493 pertaining to dividends up to 2018 to Bahrain Bourse as per their instructions.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 21 TRADE AND OTHER PAYABLES

	2020 BD	2019 BD
Accrued expenses	985,107	1,153,419
Deposit payable	533,411	572,938
Deferred income	390,156	508,441
Other payables	74,454	400,134
Trade payables	503,671	223,056
Donations and charitable contributions payables	173,865	86,319
Retentions payable	29,476	20,577
	<b>2,690,140</b>	<b>2,964,884</b>

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

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

## 22 COST OF SALES

	2020 BD	2019 BD
Utilities	512,949	923,503
Cleaning	394,543	608,526
Maintenance	398,819	545,317
Staff costs	360,478	512,589
Depreciation (note 4)	83,313	209,772
Room related expenses	32,603	67,234
Insurance	66,109	64,559
Food and beverage costs	8,955	49,468
Direct costs incurred on leisure and recreational facilities	16,084	35,680
Property tax	23,445	31,260
Miscellaneous	49,229	87,104
	<b>1,946,527</b>	<b>3,135,012</b>

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 23 OTHER OPERATING INCOME

	2020 BD	2019 BD
Kiosk, antenna, ATM and GSM income	608,840	739,403
Advertising and promotional income	53,905	95,240
Car park income	39,993	46,887
Miscellaneous income	145,316	210,651
	<b>848,054</b>	1,092,181

## 24 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 BD	2019 BD
Staff costs (note 24.1)	1,431,705	1,773,350
Marketing and advertisement expenses	123,317	635,091
Security and other labour expenses	156,296	322,227
Legal and professional fees	365,750	292,374
Office expenses	108,839	125,187
Incentive fees	4,515	73,348
Maintenance expenses	33,052	67,268
Management fees	23,712	61,849
Board sitting fees	77,100	24,100
Travelling and transportation expenses	930	1,843
Miscellaneous	43,007	101,998
	<b>2,368,223</b>	3,478,635

### 24.1 Staff costs

	2020 BD	2019 BD
Basic salaries - net	772,016	1,108,547
Allowances	203,361	219,243
Bonuses	200,363	140,783
Social insurance	127,624	124,181
Medical insurance	69,366	82,195
Others	16,920	62,235
End of service benefits (note 19)	42,055	36,166
	<b>1,431,705</b>	1,773,350

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 25 OTHER EXPENSES

	2020 BD	2019 BD
Directors' remuneration (note 29)	245,000	245,000
Donations and charitable contributions	180,000	180,000
	<b>425,000</b>	425,000

## 26 EARNINGS PER SHARE

	2020	2019
Profit for the year attributable to equity holders of the Parent (BD)	4,524,150	10,925,958
Weighted average number of shares outstanding during the year	460,000,000	460,000,000
Basic and diluted earnings per share (fils)	9.84	23.75

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

## 27 COMMITMENTS AND CONTINGENCIES

### a) Capital commitments

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

	2020 BD	2019 BD
Lama Real Estate W.L.L.	2,847,933	11,930,859
Binaa Al Bahrain B.S.C.	-	4,968,577
Seef Mall, Isa Town Mall and Magic Island renovation works	486,510	747,341
Muharraq Seef Mall	3,200	13,351
	<b>3,337,643</b>	17,660,128

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 27 COMMITMENTS AND CONTINGENCIES *(continued)*

### b) Other commitments

MMC is expected to pay a royalty charge of 2.75% (2019: 2.75%) of its gross rental income receivable to the lessor commencing from the year 2022 until the end of the lease term in 2053.

### c) Legal cases

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

### d) Guarantees

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

## 28 SEGMENT INFORMATION

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

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

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

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

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

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

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

Transfer prices between operating segments are approved by management.

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 28 SEGMENT INFORMATION (continued)

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

	Malls and properties		Serviced apartments		Leisure and entertainment		Others		Elimination		Consolidated	
	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD
Income from external operations	10,512,989	13,262,738	687,253	2,038,507	260,300	1,731,589	-	-	-	-	11,460,542	17,032,834
Inter-segment income	202,024	270,882	-	-	-	-	-	-	(202,024)	(270,882)	-	-
Less: cost of sales	1,222,564	1,855,452	374,296	598,927	551,691	951,515	-	-	(202,024)	(270,882)	1,946,527	3,135,012
<b>Gross profit</b>	<b>9,492,449</b>	<b>11,678,168</b>	<b>312,957</b>	<b>1,439,580</b>	<b>(291,391)</b>	<b>780,074</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,514,015</b>	<b>13,897,822</b>
Other operating income	-	-	27,049	-	9,374	27,315	811,631	1,064,866	-	-	848,054	1,092,181
Profit on term deposits	-	-	-	-	11,506	9,544	28,704	126,308	-	-	40,210	135,852
<b>Operating profit (loss)</b>	<b>9,492,449</b>	<b>11,678,168</b>	<b>340,006</b>	<b>1,439,580</b>	<b>(270,511)</b>	<b>816,933</b>	<b>840,335</b>	<b>1,191,174</b>	<b>-</b>	<b>-</b>	<b>10,402,279</b>	<b>15,125,855</b>
<b>Expenses</b>												
General and administrative expenses	2,033,803	2,796,244	288,691	566,666	45,729	115,725	-	-	-	-	2,368,223	3,478,635
Depreciation	322,391	313,821	92,610	70,597	329,768	331,667	-	-	-	-	744,769	716,085
Other expenses	425,000	425,000	-	-	-	-	-	-	-	-	425,000	425,000
Expected credit losses	834,003	44,083	-	-	-	-	-	-	-	-	834,003	44,083
Finance costs	700,218	651,039	-	-	-	-	-	-	-	-	700,218	651,039
	<b>4,315,415</b>	<b>4,230,187</b>	<b>381,301</b>	<b>637,263</b>	<b>375,497</b>	<b>447,392</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,072,213</b>	<b>5,314,842</b>
<b>Profit (loss) from operations</b>	<b>5,177,034</b>	<b>7,447,981</b>	<b>(41,295)</b>	<b>802,317</b>	<b>(646,008)</b>	<b>369,541</b>	<b>840,335</b>	<b>1,191,174</b>	<b>-</b>	<b>-</b>	<b>5,330,066</b>	<b>9,811,013</b>
Unrealised fair value (loss) gain on investment properties	(494,451)	1,175,687	(600,000)	-	-	-	-	-	-	-	(1,094,451)	1,175,687
Share of profit from investments in an associate and a joint venture	290,499	203,607	-	-	-	-	-	-	-	-	290,499	203,607
<b>Segment profit (loss) for the year</b>	<b>4,973,082</b>	<b>8,827,275</b>	<b>(641,295)</b>	<b>802,317</b>	<b>(646,008)</b>	<b>369,541</b>	<b>840,335</b>	<b>1,191,174</b>	<b>-</b>	<b>-</b>	<b>4,526,114</b>	<b>11,190,307</b>
	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD
Total assets	163,842,527	163,465,440	10,864,208	12,152,146	1,573,378	2,205,777	-	-	(3,001,717)	(3,500,876)	173,278,396	174,322,487
Total liabilities	16,906,550	15,434,321	3,259,269	3,905,911	124,978	119,929	-	-	(3,001,717)	(3,500,876)	17,289,080	15,959,285
Capital expenditure	512,714	672,482	195,461	125,484	63,464	209,469	-	-	-	-	771,639	1,007,435

Capital expenditure consists of additions of property, equipment and furniture, capital work-in-progress and investment properties.

All of the sales and profit of the Group are earned in the Kingdom of Bahrain from the above business segments.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 29 RELATED PARTY TRANSACTIONS

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

Transactions with related parties during the year are as follows:

	2020		2019	
	Cost of sales BD	Other operating income BD	Cost of sales BD	Other operating income BD
Muharraq Mall Co. W.L.L.	<b>48,308</b>	<b>89,906</b>	65,160	72,815

The Company has an existing property services agreement with MMC, to provide property development and management, lease management, tenant coordination, management set-up and mall marketing management.

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

	Receivables	
	2020 BD	2019 BD
Lama Real Estate W.L.L.	<b>49,459</b>	579,172

## Compensation of key management personnel

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

	2020 BD	2019 BD
Directors' remuneration	<b>245,000</b>	245,000
Management short-term benefits	<b>154,297</b>	137,650
Management end of service benefits	<b>5,800</b>	4,800
Board sitting fees	<b>77,100</b>	24,100
	<b>482,197</b>	411,550

Outstanding balances at 31 December arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the years ended 31 December 2020 and 31 December 2019, the Group has not recorded any impairment of amounts owed by related parties.

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Introduction

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

### Board of Directors

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

### Executive committee

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

### Real estate risk

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

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

### Interest rate risk

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

### Currency risk

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

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

### Credit risk

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

### Credit risk related to rent receivables

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

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

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

#### Concentration of credit risk

The Group provides its services to a large number of individuals and companies. Its five largest customers account for 20% of outstanding trade receivables at 31 December 2019 (2019: 25%).

#### Liquidity risk

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

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

2020	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total BD
Unclaimed dividends	885,077	-	-	-	885,077
Trade and other payables	722,230	592,647	-	-	1,314,877
Term loan	259,242	5,434,906	3,757,282	2,685,541	12,136,971
Lease liability	4,523	10,502	55,451	2,435,243	2,505,719
	1,871,072	6,038,055	3,812,733	5,120,784	16,842,644

2019	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total BD
Unclaimed dividends	3,591,979	-	-	-	3,591,979
Trade and other payables	484,767	695,464	122,793	-	1,303,024
Term loan	243,851	545,848	3,373,628	4,088,647	8,251,974
Lease liability	4,627	21,990	54,553	2,451,165	2,532,335
	4,325,224	1,263,302	3,550,974	6,539,812	15,679,312

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the current and previous years. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. For the purpose of the Group's capital management, equity includes share capital, statutory reserve, furniture and fixtures replacement reserve, retained earnings and equity attributable to non-controlling interest and is measured at 31 December 2020 at BD 155,989,316 (2019: BD 158,363,202).

# Notes to The Consolidated Financial Statements

At 31 December 2020

## 31 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

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

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

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

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

31 December 2019	Date of valuation	Fair value measurement using			Total BD
		Quoted prices prices in active markets (Level 1) BD	Significant observable inputs (Level 2) BD	Significant unobservable inputs (Level 3) BD	
<b>Assets measured at fair value</b>					
Investment properties	31 December 2019	-	-	137,846,854	137,846,854

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

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

Changes in estimated rental value and yields in isolation would result in a higher or lower fair value of the investment properties. The effect of a reasonably possible 1% change in annual rental income would result in a change in fair value of investment properties is BD 1,424,927 (2019: BD 1,299,422). Similarly, the effect of a reasonably possible change in the yield of 0.25% could impact the fair value of the investment properties by BD 3,656,073 (2019: BD 3,634,545).