Imprinting Leadership

Annual Report 2021

SEEF سيف

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

COMMERCIAL REGISTRATION NUMBER	44344 obtained on 8th November 1999
REGISTERED OFFICE	P.O. Box 20084 Manama, Kingdom of Bahrain
CHAIRMAN	Mr. Essa Mohamed Najibi
VICE-CHAIRMAN	Dr. Mustafa Ali Al Sayed
CHIEF EXECUTIVE OFFICER	Mr. Ahmed Yusuf
BOARD OF DIRECTORS	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 Abdulrahman Jaffar Al Rayyes - Director Mrs. Eman Mustafa Al Murbati - Director Mr. Mohamed Ebrahim Al Bastaki - Director Mr. Hamed Yousef Mashal - Director
BANKERS	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)
REGISTRARS	Bahrain Clear B.S.C.(C) P.O. Box 3203 Kingdom of Bahrain
AUDITORS	Ernst & Young P.O. Box 140 Kingdom of Bahrain

SEEF سيف

seef mall

Seef District

seef mall

Muharraq

seef mall

Isa Town

FRASER SUITES
SEEF-BAHRAIN
فريزر سويتس السيف - البحرين

MAGIC ISLAND

الليوان
al liwan
by Seef Properties

Contents

Board of Directors

From left to right

1. **Mr. Yusuf Ahmed Al Hammadi,** Director
2. **Mr. Hesham Abdulrahman 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

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.

Board of Directors' Report

Essa Mohamed Najibi
Chairman

The Company succeeded in recording a net profit attributable to the parent of BD 5.02 million, with an increase of 10.91% in comparison to 2020.

Net Profit

5.02

Million Bahraini Dinars

Dear Esteemed Shareholders,

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

It is therefore with great pleasure that I present to you the Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2021, with an overview of the Company's overall performance throughout the preceding year and our plans for the future.

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

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

Maximising Profits During the Pandemic

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

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

Board of Directors' Report Continued

Tenants Support Fund Extension

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

Income Sources Diversification

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

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

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

An Ambitious Economic Recovery Plan

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

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

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

Launching Landmark Projects in 2022

We are delighted to announce to our esteemed shareholders that the year 2022 will witness the launch of several prominent and iconic projects in the Company's portfolio, which will include the inauguration launch of Al Liwan mixed-use development in Al Hamala. Occupying a total area of 122,000 square meters, Al Liwan project constitutes a unique addition to the Company's operations, providing it with the lead in three (3) key sectors; shopping, entertainment and tourism, while also being a notable contributor and enhancement to the Company's financial performance.

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

Board of Directors and Executive Management Remuneration

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

Gratitude and Appreciation

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

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

Essa Mohamed Najibi

Chairman

Board of Directors' Report Continued

FIRST: BOARD OF DIRECTORS' REMUNERATION DETAILS

(All amounts are in Bahraini Dinars)

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

Notes:

* Subject to approval of the General Assembly.

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

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

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

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

SECOND: EXECUTIVE MANAGEMENT REMUNERATION DETAILS

(All amounts are in Bahraini Dinars)

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

Note:

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

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

Chief Executive Officer's Report

Ahmed Yusuf
Chief Executive Officer

The year 2021 also witnessed the conclusion of a strategic agreement with Diyar Al Muharraq to provide comprehensive management services for "Souq Al Baraha"; a project located in the heart of Diyar Al Muharraq

Occupancy rate

77% ↑

at Al Liwan

Esteemed Shareholders,

It is with great pleasure that I present to you the Annual Report for Seef Properties B.S.C ("**Company**") for the year 2021. Throughout the past year, the Company continued to move at a steady pace towards achieving its strategic objectives in its main business sectors in real estate development, mall management, hospitality and entertainment, despite the difficult conditions caused by the COVID-19 pandemic.

The strategic objectives of the Company are focused on diversifying income sources, which became evident during the past via the introduction of a new service within the Company's activities; real estate management, which was selected carefully and adeptly to contribute to the Company's innovation and positively enhance its financial performance, particularly seeing as it currently occupies the position of the largest manager and operator of real estate assets in the Kingdom.

The Company, in testament to the diversity of its investment portfolio and sound strategies, has been able to overcome the challenges of the pandemic and consolidate its foundations, with the aim of preserving the gains achieved to prepare the appropriate conditions to pursue broader horizons of growth and prosperity in the areas of mall management, real estate, hospitality and entertainment.

Attracting More Prominent Brands

The mall management sector witnessed a gradual recovery during 2021, while continuing our efforts to attract newer brands and accelerate the leasing process. This encouraged us to seize all the emerging opportunities in the market by creating new partnerships and taking advantage of our wide network of partners, which we always strive to expand, while selecting what is consistent with our vision to enhance the exceptional shopping experience that characterises the malls under the Company's umbrella.

Our continued attraction of prominent brands is a testament of the confidence of investors and major retailers in Seef Properties, as they chose our malls as their main destination to expand their base and branches, and launch large stores, despite the pandemic. This reflects the Company's business model and operation reliability, as well as its ability to provide the appropriate conditions for attracting quality investments in the retail and hospitality sectors. It is noteworthy that our success is the result of the extensive experience that made Seef Properties a leader in mall management.

77% Occupancy at Al Liwan

Last year, Seef Properties recorded remarkable progress in its leading strategic project, Al Liwan in Hamala, which was completed with the highest level of professionalism, engineering and architectural excellence, despite the challenges imposed by of the outbreak of the pandemic and its impacts. We are grateful for the hard work and devotion of the young and remarkable team of Seef Properties.

Al Liwan has turned into an integrated community that embraces vibrant landscapes, and encompasses 136 renowned stores and restaurants, topped by 117 residential units with breath-taking views offered for rent, in addition to 7 state-of-the-art cinema halls, a 1.6 km promenade and an integrated sports centre.

The unique features of the project attracted prominent regional and international brands, many of which are entering the Bahraini market for the first time, thereby contributing to the revitalisation of the Kingdom's tourism and commerce, and supporting the entertainment and hospitality sectors, making Al Liwan a key element of the national economy in the near future.

Al Liwan embodies Bahraini traditions and originality, expressed in a modern style thanks to its unique design and advanced facilities which cater to various needs of customers. During the past year, the project witnessed the signing of several leasing agreements with a number of international and regional brands, with the occupancy rate exceeding 77% of the available spaces.

Prestigious Global Awards

As part of its steady endeavors to contribute to the prosperity of the Kingdom's real estate sector with multiple achievements, Seef Properties B.S.C ("**Company**"), one of the leading integrated real estate development companies in the Kingdom of Bahrain, announced that its mixed-use development project "Al Liwan" received 2 prestigious international awards for excellence and innovation. Al Liwan received the award for one of the best mixed-use real estate

Chief Executive Officer's Report Continued

development project in the Kingdom of Bahrain at the Arabian Property Awards (Africa and Arabia) for 2021-2022, as well as the Award for Commercial Project of the Year by Middle East Economic Digest (MEED).

Both awards are remarkable evidence of the unique characteristics of Al Liwan, with its various features, reflecting the Bahraini heritage from which we were inspired by, in every corner of the project, becoming a beacon of contemporary commercial trends in the Kingdom and a further inspiration to us at Seef Properties to strive towards further progress and prosperity.

Managing Souq Al Baraha

The year 2021 also witnessed the conclusion of a strategic agreement with Diyar Al Muharraq to provide comprehensive management services for "Souq Al Baraha"; a project located in the heart of Diyar Al Muharraq, in close proximity to the key residential, commercial and entertainment projects in the city.

Souq Al Baraha is considered the first in our new service portfolio in the field of real estate management and operation, which includes the provision of leasing, marketing and facilities management services, in addition to other supportive services related to customer services and management of shop interior fit-out works.

The project offers the Kingdom's citizens, residents and tourists a new concept of shopping in an atmosphere that blends the authenticity of the past with the modernity of the present.

Continuing to Lead in the Entertainment Sector

The past year has brought us many challenges in the entertainment sector, which is considered one of the main pillars we rely on in our financial performance, due to the pandemic, as it had a noticeable impact on the demand for entertainment centres in our malls, with the ongoing decisions to tighten and ease restrictions on public access to facilities, as part of the government's efforts to protect the society from the virus.

During these circumstances, the Company maintained its human and tangible resources and kept them ready to receive the public at all times, and this had a great impact on the remarkable success achieved with the reopening of our entertainment centres to receive our valued customers, thereby affecting the demand for our malls.

With the return to normality, we are looking forward to a more prosperous year in 2022 in the entertainment sector, as we seek to move forward in implementing plans to expand with the launch of more centres equipped with modern facilities and providing an exceptional experience.

Our expansion plans includes the expansion of family entertainment centres beyond commercial centres and establishing standalone modern entertainment centres in several regions in the Kingdom, which will make Seef Properties a major player in the local entertainment sector, and enable it to continue its leadership in the family entertainment sector since 1996.

Gradual Recovery in the Hospitality Sector

As for the hospitality sector, we witnessed tangible recovery in 2021 thanks to the occupancy rates recorded in Fraser Suites Seef which are the outcomes of the increasing number of tourists visiting the Kingdom of Bahrain, especially that the recent statistics released by the Bahrain Tourism and Exhibition Authority indicated Bahrain's success in attracting 1.13m hotel bookings in the 3rd quarter of last year, compared to 424,000 hotel bookings made in the same period in 2020, with a growth rate that stands at 166%.

In conclusion, allow me to extend our sincere gratitude and appreciation to the members of the Board of Directors and the shareholders for their constant support. I would also like to thank the Company's staff, who tirelessly work to promote the Company's growth and push it towards broader horizons of success. We also extend our gratitude to all our partners, who are at the core of our success stories, including employees and tenants, and to our customers who share with us the journey of positive development and change.

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 2021

The Company continues to recognise the significance of an effective corporate governance culture and corporate governance issues remain on the agenda of the Company's Board, with committees such as the Nomination, Remuneration and Governance Committee 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 is reviewing 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 within 2022.

Furthermore, the Company has amended its constitutional documents to reflect updates in line with the recent amendments to the CCL and other applicable laws and regulations. Additionally, the Company added 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 launched its new and improved website in 2021 in line with the full requirements of the Code, Listing Rules and CBB Disclosure Standards and to further enhance the shareholders' accessibility to all relevant information about the Company. 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 2021, 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:

		Number of Shares Held			
No.	**Shareholder Classification**	**Individuals**	**Corporate**	**Government or Organisations**	**TOTAL**
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
	TOTAL	**164,832,304**	**125,904,710**	**169,262,986**	**460,000,000**

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 Organisation (Pension, Military and Civil Funds)	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%

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%
TOTAL	**460,000,000**	**17,165**	**100%**

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%
TOTAL	**460,000,000**	**17,165**	**100%**

4.6 Ownership by Directors and Executive Management (including their Connected Persons):

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

No.	Name	Relationship	Number of Shares Held	Shareholding %
1.	Mr. Essa Mohamed Najibi		0	0
	Mr. 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%
	Al Khulood Capital Co. W.L.L.	Related Company	100,500	0.022%
2.	Mr. Sattam Sulaiman Al Gosaibi		0	0%
	Mrs. Fareeda A.Rahman Al Moayyed	Mother	240,000	0.052%
3.	Mr. Hesham Abdulrahman Jaffar Al Rayyes		100,000	0.022%
4.	Mr. Ahmed Yusuf Abdulla Yusuf		100,000	0.022%
5.	Mr. Fuad Ali Taqi		40,000	0.009%
6.	Mr. Hamed Yousef Mashal		18,400	0.004%
7.	Mr. Abduljalil Mohamed Janahi		5,000	0.001%
	TOTAL		**2,136,857**	**0.465%**

Note: No other Directors or Members of Executive Management hold shares.

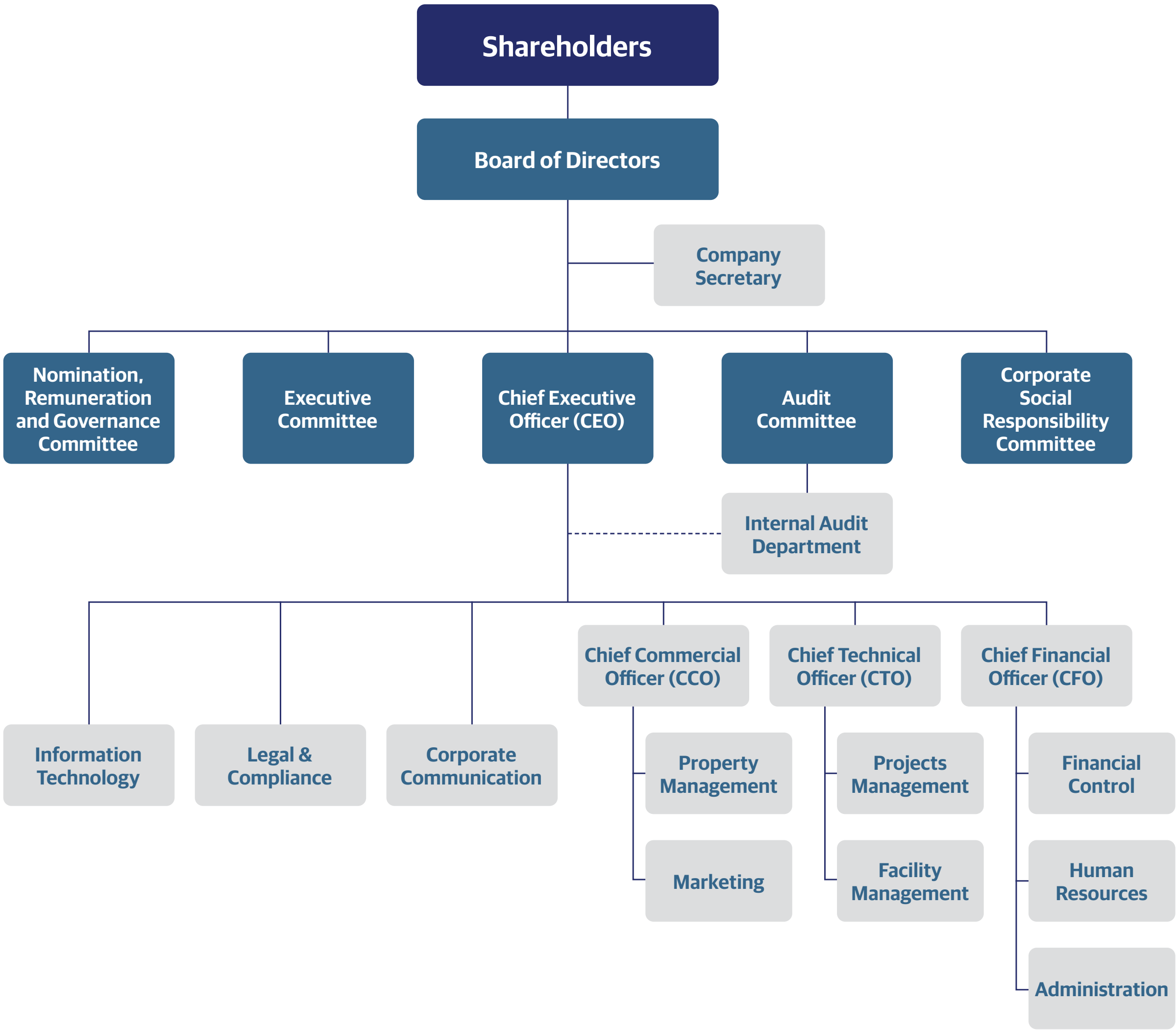
4.7 Directors and Executive Management (including their Connected Persons) Trading during 2021:

The table below shows the Director's and Executive Management trading for 2021:

Name	Position/ Kinship	Shares at 31 December 2020	Sale Transaction	Purchase Transaction	Shares at 31 December 2021
Mr. Essa Mohamed Najibi*	Chairman	100,500	100,500	0	0
Mr. Fuad Ali Taqi	Director	30,000	0	10,000	40,000

Note: Mr. Essa Mohamed Najibi transferred his entire shareholding to Al Khulood Capital Co. W.L.L., a company wholly owned by him.

5. GOVERNANCE AND ORGANISATIONAL 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 2021, 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, which expires in March 2022. For the financial year ending 31 December 2021, the Company' 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 Abdulrahman 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 2021, the following Director was also a 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 Profiles

Mr. Essa Mohamed Najibi - Chairman	
Nationality	Bahraini
Status/ Appointed By	Non-Executive/Independent
Current Membership Duration	12 years
Current Committee Membership	• Chairman of the Nomination, Remuneration and Governance Committee • Member of the Corporate Social Responsibility Committee
Qualification	Bachelor of Civil Engineering
Experience	Over 36 years of experience in directorship and executive positions in the real estate sector, in addition to managing the family businesses.
Board Memberships	• Chairman – Fraser Suites Seef - Bahrain W.L.L. • Chairman – Seef Entertainment W.L.L. • Chairman – Lama Real Estate W.L.L. • Chairman – Najibi Investment Company B.S.C.(C). • Chairman – United Commercial Services Co. • Chairman – AlKhulood Capital Co. W.L.L. • Co-Chairman – AlSouq Real Estate Company W.L.L. • Vice Chairman – Bahrain Scrapmould Company W.L.L. • Vice Chairman – Crown Industries B.S.C.(C). • Director – Binaa Al Bahrain W.L.L. • Director – Gulf Air B.S.C.(C) • Director – The Malls Real Estate Development B.S.C.(C) • Director – Lona Real Estate B.S.C.(C) • 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 Chairman of Najibi Investments B.S.C.(C).

Corporate Governance Continued

Dr. Mustafa Ali Al Sayed - Vice Chairman	
Nationality	Bahraini
Status/ Appointed By	Non-Executive/Independent (Royal Humanitarian Foundation)
Current Membership Duration	12 years
Committee Membership	• Chairman of Social Responsibility Committee • Member of the Nomination, Remuneration and Governance Committee
Qualification	• Doctorate in Industrial Management (PhD) – University of London (UK) • Master of Industrial Management – University of Dublin (Ireland) • Bachelor of Mechanical Engineering – University of Portsmouth (UK)
Experience	Over 46 years of experience in executive positions in key governmental and private institutions
Board Memberships	• Vice Chairman – Fraser Suites Seef – Bahrain W.L.L. • Vice Chairman – Seef Entertainment W.L.L. • Vice Chairman – Family Microfinance House B.S.C.(C) • Director – Nass Corporation B.S.C. • Member of the Board of Trustees – Egyptian Zakat House • Director – Bahrain Health and Safety Society
Positions in other Key Regulatory, Government or Commercial Entities	Secretary General of Royal Humanitarian Foundation

Mr. Sattam Sulaiman Al Gosaibi - Director	
Nationality	Bahraini
Status/ Appointed By	Non-Executive/ Independent
Membership Duration	12 years
Current Committee Membership	• Chairman of the Executive Committee • Member of the Nomination, Remuneration and Governance Committee
Qualification	• Bachelor of Accounting (BSc) - King Fahad University (KSA) • Master of Business Administration (MBA) - DePaul University (USA)
Experience	Over 26 years of experience in Islamic banking and directorship in the real estate sector
Board Memberships	• Director – Fraser Suites Seef-Bahrain W.L.L. • Director – Seef Entertainment W.L.L. • Director – LAMA Real Estate W.L.L. • Director – Binaa Al Bahrain W.L.L. • Director – Gulf Real Estate Development Company S.S.C.(C) • Vice Chairman – Capital Real Estate Company B.S.C.(C) • Director – Gulf Holding Company K.S.C. • Director – Naseej B.S.C.(C). • Director – Locata Corporation PTY Limited • Director – Bahrain International Golf Course Company B.S.C.(C) • Director – Al Areen Hotels W.L.L. • Director – INJAZ Bahrain • Member of the Board of Trustees – Ibn Khuldoon National School
Positions in other Key Regulatory, Government or Commercial Entities	Chief Executive Officer of Khaleeji Commercial Bank B.S.C.

Mr. Fuad Ali Taqi - Director	
Nationality	Bahraini
Status/ Appointed By	Non-Executive/ Independent
Membership Duration	6 years
Committee Membership	Chairman of the Audit Committee
Qualification	Master of Business Administration (MBA) – University of South Wales (UK)
Experience	Over 34 years of experience in conventional and Islamic banking
Board Memberships	• Director – Fraser Suites Seef - Bahrain W.L.L. • Director – Seef Entertainment W.L.L. • Vice Chairman of the Board of Directors, Member of the Board of Trustees and Member of the Finance Committee - Ibn Khuldoon National School
Positions in other Key Regulatory, Government or Commercial Entities	N/A

Mr. Yusuf Ahmed Al Hammadi - Director	
Nationality	Bahraini
Status/ Appointed By	Executive/Non-Independent
Current Membership Duration	15 years
Committee Membership	Member of the Audit Committee
Qualification	• Master of Business Administration (MBA) – University of Bahrain • Leadership Development Programme – University of Virginia (USA) • CFO Strategic Leadership Programme - Ivey Business School (Canada)
Experience	Over 32 years of experience in conventional and Islamic banking
Board Memberships	• Chairman – Muharraq Mall Co. W.L.L. • Director – Lama Real Estate W.L.L. • Director – Fraser Suites Seef - Bahrain W.L.L. • Director – Seef Entertainment W.L.L. • Director – Delmon 1 Co. W.L.L. • Director – PK Development Co. W.L.L. • Member of the Board of Trustees, Director and Head of Finance Committee – Ibn Khuldoon National School • Director – WAQF Fund (Central Bank of Bahrain)
Positions in other Key Regulatory, Government or Commercial Entities	Executive Manager – Head of Financial Control and Administration at Kuwait Finance House (Bahrain) B.S.C.(C)

Corporate Governance Continued

Mr. Abduljalil Mohamed Janahi - Director	
Nationality	Bahraini
Status/ Appointed By	Executive/ Non-Independent
Current Membership Duration	12 years
Current Committee Membership	Member of the Executive Committee
Qualification	• Master of Civil Engineering/ Construction Management (MSc) - The Catholic University of America (USA) • Bachelor of Civil Engineering – University of Bahrain • Diploma in Building Management – City & Guilds of London Institute (UK)
Experience	Over 37 years of experience in project management and civil engineering
Board Memberships	• Director – Muharraq Mall Co. W.L.L. • Director – Fraser Suites Seef - Bahrain W.L.L. • Director – Seef Entertainment W.L.L. • Director – Diyar Al Muharraq W.L.L. • Director – Diyar Al Muharraq Housing Development Co. W.L.L. • Director – Diyar Al Bareh Real Estate W.L.L. • Director – Diyar Al Naseem Real Estate W.L.L.
Positions in other Key Regulatory, Government or Commercial Entities	Senior Manager – Head of Real Estate Projects Management at Kuwait Finance House (Bahrain) B.S.C.(C).

Mr. Hesham Abdulrahman Jaffar Al Rayyes - Director	
Nationality	Bahraini
Status/ Appointed By	Non-Executive/Non-Independent
Current Membership Duration	9 years
Committee Membership	Member of the Nomination, Remuneration and Governance Committee
Qualification	• Bachelor of Quantity Surveying - Portsmouth Polytechnic University (UK) • Member of The Council for Regulating the Practice of Engineering Professions (CRPEP) • Member of Royal Institute Chartered Surveyors (UK)
Experience	Over 36 years of experience in quantity surveying and project management.
Board Memberships	• Director – Fraser Suites Seef - Bahrain W.L.L. • Director – Seef Entertainment W.L.L. • Owner and Managing Director – Dar Al Huda Apartments W.L.L. • Director – Sheikh Essa Bin Salman Al Khalifa Educational Trust
Positions in other Key Regulatory, Government or Commercial Entities	Owner and Chief Executive Officer of HAJ Quantity Surveyors W.L.L.

Mrs. Eman Mustafa Al Murbati - Director	
Nationality	Bahraini
Status/ Appointed By	Non-Executive/Independent (Social Insurance Organisation)
Current Membership Duration	6 years
Committee Membership	• Member of the Audit Committee • Member of Corporate Social Responsibility Committee
Qualification	Bachelor of Accounting – Cairo University (Egypt)
Experience	Over 38 years of experience in key positions in the Social Insurance Organisation
Board Memberships	• Director – Fraser Suites Seef – Bahrain W.L.L. • Director – Seef Entertainment W.L.L.
Positions in other Key Regulatory, Government or Commercial Entities	Chief Executive Officer of Social Insurance Organisation

Mr. Mohamed Ebrahim Al Bastaki - Director	
Nationality	Bahraini
Status/ Appointed By	Non-Executive/Independent (Social Insurance Organisation)
Current Membership Duration	3 years
Committee Membership	Member of the Executive Committee
Qualification	• Master of Business Administration (MBA) – University of Glamorgan (UK) • General Management Programme – Harvard Business School (USA) • The Gulf Executive Development Programme – University of Virginia [Darden Business School] (USA) • Executive Management Diploma – University of Bahrain
Experience	Over 42 years of experience in executive positions in financial institutions
Board Memberships	• Chairman – The BENEFIT Company B.S.C.(C) • Chairman – SINNAD W.L.L. • Vice Chairman of Board of Trustees – The Kingdom University • Director – Fraser Suites Seef – Bahrain W.L.L. • Director – Seef Entertainment W.L.L. • Director – Social Insurance Organisation • Director – Osool Asset Management B.S.C.(C).
Positions in other Key Regulatory, Government or Commercial Entities	N/A

Corporate Governance Continued

Mr. Hamed Yousef Mashal - Director	
Nationality	Bahraini
Status/ Appointed By	Executive/Non-Independent
Current Membership Duration	3 years
Committee Membership	• Member of the Executive Committee
Qualification	• Master of Business Administration (MBA) - University of Warwick [Warwick Business School] (UK) • Bachelor of Computer and Business Studies (BSc) - University of Warwick [Warwick Business School] (UK) • MRICS – Royal Institute of Chartered Surveyors • Chartered Financial Analyst (CFA) • Project Management Professional (PMP)
Experience	Over 16 years of experience in conventional and Islamic banking
Board Memberships	• Director – Fraser Suites Seef - Bahrain W.L.L. • Director – Seef Entertainment W.L.L. • Director – Liquidity Management Centre B.S.C.(C). • Director – Bayan Group for Property Investment W.L.L. • Director – Baytik Bahrain Real Estate Holding Company W.L.L. • Director – Baytik Investments One W.L.L. • Director – Baytik Investments Two W.L.L. • Director – Diyar Al Naseem Real Estate W.L.L. • Director – Bridge W.L.L. Limited (Cayman Islands) • Executive Committee Member – Diyar Al-Muharraq Co. W.L.L. • Technical Committee Member – PK Development W.L.L.
Positions in other Key Regulatory, Government or Commercial Entities	Head of Retail Banking at Kuwait Finance House (Bahrain) B.S.C.(C)

6.4 Mandate of the Board

6.4.1 Overall Role and Responsibilities

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;

Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;

- Causing financial statements to be prepared which accurately disclose the Company's financial position;
- Selecting, compensating, monitoring, and when necessary, replacing key executives and ensuring the establishment of proper succession planning for the Chief Executive Officer and senior management in the Company;
- Aligning key executive and board remuneration with the longer-term interests of the Company and its shareholders;
- Ensuring a formal and trans-group board nomination and election process;
- Assuring equitable treatment of shareholders, including minority shareholders;
- Ensuring compliance with the relevant rules and requirements relating to the issuing and offering of securities;
- The ongoing obligations in respect of the listing requirements, including but not limited to issues relating to disclosure, dissemination of price sensitive information and other communication, and the prevention of market abuse and insider trading;
- Compliance with the Company's constitutional documentation, including but not limited to its Memorandum and Articles of Association and other relevant by-laws and resolutions;
- Ensure that any loans provided by the Company, if any, are approved by the Board in accordance with their authority for such items, including the respective limits and other relevant terms;
- Providing approval in respect of the relevant fees, charges, subscriptions, commissions and other business and administrative sanctions, where relevant; 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, Labour 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. The Directors are responsible both individually and collectively for performing these responsibilities.

6.4.2 Material Transactions Requiring Board Approval

The following are material transactions requiring Board approval:

- The adoption and annual review of strategy;
- The adoption and monitoring of the annual budget;
- The approval of the Company's reviewed and audited financial statements;
- The approval of budgeted/unbudgeted capital expenditures and material contracts in excess of the delegated authorities to Management, in addition to investments and divestments;
- The adoption and review of Management structure and responsibilities;
- The appointment of the Chief Executive Officer and Company Secretary;
- The approval of Company policies; and
- The approval of any loans to be obtained by the Company and the securities to be granted in respect thereof.

Further details of the material transactions requiring Board approval are set out in the Discretionary Authority Limits document approved by the Board.

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 the date of the upcoming Annual General Meeting to be held on 29 March 2022, during which the elections for the new Board term will be held.

Corporate Governance Continued

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 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 2021, 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 its 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.

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 2021, the aforementioned committee has recommended corporate governance training, which was due to be conducted in person in 2021. 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 2022.

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 its 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 sixteen (16) 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 2020 was BD 170,000 as approved in the Annual General Meeting.

The proposed remuneration to be paid to the Directors for financial year ended 31 December 2021 is BD 225,000 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 are BD 600 for the Chairman of the Board or any committee and 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	20,600
Committees	22,800
TOTAL	**43,400**

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 five (5) times in the financial year ended 31 December 2021. Due to COVID-19 precautionary measures and social distancing rules, the Board accordingly and seamlessly conducted all Board meetings via videoconferencing technologies (ZOOM).

In addition to meetings convened during the aforementioned year, one (1) resolution was passed unanimously via circulation to the Directors and 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 2021 as attended by the Directors:

DIRECTOR	BOARD/COMMITTEE MEETINGS	NO. OF MEETINGS
Mr. Essa Mohamed Najibi	Board of Directors	5
	Nomination, Remuneration and Governance Committee	3
	Corporate Social Responsibility Committee	1
Dr. Mustafa Ali Al Sayed	Board of Directors	5
	Nomination, Remuneration and Governance Committee	3
	Corporate Social Responsibility Committee	1
Mr. Sattam Sulaiman Al Gosaibi	Board of Directors	5
	Executive Committee	6
	Nomination, Remuneration and Governance Committee	3
Mr. Fuad Ali Taqi	Board of Directors	5
	Audit Committee	4
Mr. Yusuf Ahmed Al Hammadi	Board of Directors	4
	Audit Committee	4
Mr. Abduljalil Mohamed Janahi	Board of Directors	5
	Executive Committee	6
Mr. Hesham Abdulrahman Jaffar Al Rayyes	Board of Directors	5
	Nomination, Remuneration and Governance Committee	2
Mrs. Eman Mustafa Al Murbati	Board of Directors	5
	Audit Committee	4
	Corporate Social Responsibility Committee	1
Mr. Mohamed Ebrahim Al Bastaki	Board of Directors	5
	Executive Committee	6
Mr. Hamed Yousef Mashal	Board of Directors	5
	Executive Committee	6

Corporate Governance Continued

6.10.2 Board Meetings and Attendance

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

DIRECTOR	1/2021 17/02/21	2/2021 10/05/21	3/2021 11/08/21	4/2021 09/11/21	5/2021 12/12/21	%
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		×				80
Mr. Abduljalil Mohamed Janahi						100
Mr. Hesham Abdulrahman 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 2021 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 2021, the Executive Committee convened six (6) meetings in compliance with this requirement. The dates, attendance record and sitting fees of the Executive Committee meetings are as follows:

DIRECTOR	1/2021 16/02/21	2/2021 09/03/21	3/2021 16/03/21	4/2021 08/08/21	5/2021 02/11/21	6/2021 06/12/21	%	SITTING FEES (BD)
Mr. Sattam Sulaiman Al Gosaibi							100	3,600
Mr. Abduljalil Mohamed Janahi							100	2,400
Mr. Mohamed Ebrahim Al Bastaki							100	2,400
Mr. Hamed Yousef Mashal							100	2,400

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 2021 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 2021, 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	1/2021 14/02/21	2/2021 06/05/21	3/2021 10/08/21	4/2021 07/11/21	%	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 2021 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 Jaffar 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 2021, the Nomination, Remuneration and Governance Committee convened three (3) 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	1/2021 15/02/21	2/2021 01/11/21	3/2021 02/12/21	%	SITTING FEES (BD)
Mr. Essa Mohamed Najibi	🖥	🖥	🖥	100	1,800
Dr. Mustafa Ali Al Sayed	🖥	🖥	🖥	100	1,200
Mr. Sattam Sulaiman Al Gosaibi	🖥	🖥	🖥	100	1,200
Mr. Hesham Abdulrahman Jaffar Al Rayyes	🖥	🖥	✕	66.67	800

🖥 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 2021 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 organisations, allocation of approved budget into various sectors, setting conditions of donations, reviewing and monitoring performance of organisations, cancellations of donations and recommendation of overall budget for shareholder 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 2021, the Corporate Social Responsibility Committee convened one (1) meeting, with delegation to the Corporate Social Responsibility Management Committee to undertake necessary activities. The date, attendance details and sitting fees of the Corporate Social Responsibility Committee meeting is as follows:

DIRECTOR	1/2021 01/11/21	%	SITTING FEES (BD)
Dr. Mustafa Ali Al Sayed		100	600
Mr. Essa Mohamed Najibi		100	400
Mrs. Eman Mustafa Al Murbati		100	400

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 2021.

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 2021, the Executive Management of the Company was comprised of the following:

Mr. Ahmed Yusuf **Chief Executive Officer**	
Qualification	Bachelor of Civil Engineering - Kuwait University (Kuwait)
Appointment	2015
Experience	Over 27 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**	
Qualification	• Master of Architecture (M.Arch.) - McGill University (Montreal, Canada) • Bachelor of Architecture (B.Arch.) - Al Azhar University (Egypt)
Appointment	2016
Experience	Over 41 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 **Chief Financial Officer**	
Qualification	• Master of Business Administration (MBA) – University of Manchester (UK) • Bachelor of Accounting (BSc) - University of Bahrain • Certified Public Accountant (CPA) – New Hampshire (USA)
Appointment	2016
Experience	Over 15 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.

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 16 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).

Mr. Mohammad Allam Al Qaed Senior Manager – Property Management	
Qualification	• Bachelor of Science in Civil Engineering (BSc) – University of Bahrain • International Diploma in Strategic Leadership and Management – Chartered Management Institute (UK)
Appointment	2016
Experience	Over 15 years of experience in entrepreneurship, innovation and real estate, including management of different types of properties such as shopping malls, retail, industrial, service, residential and commercial properties. Prior to joining the Company, he held various positions and worked for Bahrain Business Incubator Centre, a subsidiary of Bahrain Development Bank. He is also currently a member of the Middle East Council for Shopping Centres and Retailers.

Mr. Fahad Abdulaziz Al Abbasi Manager – Internal Audit	
Qualification	• Bachelor of Science in Banking and Finance (BSc)
Appointment	2021
Experience	Over 14 years of experience in financial services and internal audit. Prior to joining the Company, he held various positions and worked for Osool Asset Management and Al Salam Bank.

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 calibre 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 six (6) executives of the Company as of 31 December 2021 are as follows:

- Chief Executive Officer
- Chief Technical Officer
- Chief Financial Officer
- Company Secretary and Senior Manager - Legal and Compliance
- Senior Manager – Property Management
- Manager – Internal Audit

The Company paid the following remuneration to the top six (6) executives:

	Remuneration Type	Amount (BD)
1	Salaries (including allowances)	363,461
2	Bonus	55,664
3	Other	0
	Total	**419,125**

10. CODE OF CONDUCT AND ETHICS AND WHISTLEBLOWING POLICY

The Company has adopted an 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.

11. KEY PERSONS DEALING MANUAL

The Company has implemented a Key Persons Dealing Policy and Procedures Manual ("**Manual**") in accordance with the requirements of the CBB and Bahrain Bourse, which has been updated and reissued in 2021. The aforementioned Manual 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 Manual is maintained on the Company's website at all times.

Corporate Governance Continued

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 2021, the following are the new conflicts disclosed by the Directors as of 31 December 2021:

CONFLICT OF INTEREST MATTER	DECLARED BY:	FINANCIAL INTEREST
Hotel Apartments Operator Agreement (Declared capacity relating to his position in Dar Al Huda Hotel Apartments W.L.L.)	Mr. Hesham Abdulrahman Jaffar Al Rayyes	Nil
Donation of Insulin Pumps to Ministry of Health (Declared capacity relating to his position in Royal Humanitarian Foundation)	Dr. Mustafa Ali Al Sayed	Nil
Leasing Proposal 1 (Declared capacity relating to his role in Khaleeji Commercial Bank B.S.C.)	Mr. Sattam Sulaiman Al Gosaibi	Nil – did not materialise
Leasing Proposal 2 (Declared capacity is personal)	Mr. Sattam Sulaiman Al Gosaibi	Nil - did not materialise

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 2021.

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 2021, 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.

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 2021. Below are the key details relating to their appointment:

Years of service as the Company's External Auditor	11 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	3 Years
Total audit fees related to the financial statements of the financial year 2021	BD 15,250
Other fees and charges for non-audit services, other than auditing the financial statements of the financial year 2021 (includes VAT and other consultancy services)	BD 4,780
TOTAL	**BD 20,030**

The Audit Committee at the meeting held on 21 February 2022 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 2022. 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

Corporate Governance Continued

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 2021, 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 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 (I) 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 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 2021.

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 organization. The Company carries out its CSR activities with the support of stakeholders to enrich the future of society.

In order to align and respond effectively to evolving social imperatives and changes in the business environment, the Company has adopted 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.

2021 CSR Strategy

The Company's strategy will continue to focus on building a sound CSR image whilst capitalising 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 four (4) goals in formulating the strategy:

- No Poverty: Economic growth must be inclusive to provide sustainable jobs and promote equality.
- Good Health and Well-Being: Promoting the well-being for all at all ages is essential to sustainable development.
- Quality Education: Obtaining quality education is the foundation to improving people's lives and promoting sustainable development.
- Partnership for the Goal: Revitalise global partnerships for sustainable development.

2021 CSR Strategic Pillars

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

- 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.
- Sustainability: developing sustainable income sources, by 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 the society with the right tools to not only have a financially prosperous future but also one which is safe, secure and enriching.
- Culture: efforts will be focused on involving staff in CSR initiatives undertaken by the company, thereby creating ambassadors and leaders in society via staff engagement in events and building a CSR culture within the Company.
- Awareness: spreading awareness by focusing on selecting key values and campaigning for the same during the year via the organisation of community events.

Corporate Social Responsibility Continued

CSR Shareholder Approved Budget

The Annual General Meeting convened on 28 March 2021 approved an overall budget of BD 170,000 to be allocated to the Company's CSR Programme during 2021. The Company makes direct donations and contributions to various official entities in the Kingdom of Bahrain and ensures that such donations are utilised effectively by the recipients via periodic monitoring. The Company further utilises such budget in various initiatives and activities that further its strategy.

2021 CSR Activities

Due to the ongoing restrictions of COVID-19 pandemic and its related limitations and social distancing consideration, the Company had to revise, suspend and/or postpone its planned initiatives for 2021.

The Company's committed, ongoing, and completed activities included:

- Participating in a national awareness campaign encouraging vaccination of citizens and residents in the Kingdom of Bahrain by showcasing awareness videos on Seef Mall-Seef District's digital outdoor screens.
- Donating to Sh. Ebrahim Bin Mohammed Al Khalifa Centre for Culture and Research to support their ongoing activities.
- Raising awareness in a friendly and educational way for children in respect of the country's history and heritage through distributing "Watani Al Jameel" book.
- Refurbishment of Isa Town Garden in collaboration with the Southern Municipality via the installation of new rubber flooring and playground equipment for children, enhancement of the landscape and overall improvement of the garden. The project is ongoing and will be completed in 2022.
- Organising a beach clean-up event in collaboration with Ibn Khuldoon National School, where staff members, students and faculty members of the school joined forces in an effort to clean up Karbabad Beach in the Capital Governorate.
- Donating seven (7) insulin pumps to children below the age of sixteen (16) years old with diabetes on the waiting list of candidates at Salmaniya Medical Complex in collaboration with the Royal Humanitarian Foundation.

COMPLETED AND ONGOING ACTIVITIES	AMOUNT (BD)
Awareness Campaign for COVID-19 Vaccination	-
Donation to Sh. Ebrahim bin Mohammed Al-Khalifa Center for Culture & Research	15,000
Distribution of 'Watani Al Jameel' Book	400
Isa Town Garden Refurbishment	17,866
Beach Clean-Up Event	910.12
Insulin Pumps Donation	21,000
Other	332
TOTAL	**55,508.12**

Tenant Support Fund Extension

The Company has been keen to continue its support to its valued tenants by extending the support fund introduced due to COVID-19, which reflects the Company's belief in the need to strengthen its partnership with the pillars of its business model, and its constant commitment to support them through all conditions, in order to assist them in alleviating the negative impacts of the pandemic on their businesses.

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 2022.

Energy Consumption

Stemming from its position as a national institution committed to contributing to the resource preservation initiatives in the Kingdom, and in particular those related to energy, the Company has continued to implement its plan to reduce energy consumption, which commenced more than six (6) years ago with the aim of achieving maximum efficiency in this field. This long-term plan has resulted in a significant decrease in the energy consumed and related expenditures, despite the increase in the Government's electricity and water tariffs. The following is a comparison of electricity savings for the years 2016 to 2021:

Energy Consumption	2016	2017	2018	2019	2020	2021
Electricity (%)	3%*	5%*	4%*	6%*	31%**	6%*

Note:

* The aforementioned percentages show the percentage of savings for each year compared to the previous year for Seef Mall (Seef District) only. Further energy savings were made for other properties.

** The significant increase in saving is attributed to the frequent closures of the Seef Mall (Seef District) coinciding with the decisions issued in relation to combatting the spread of COVID-19.

The Company will continue to evaluate all proposals during 2022 to identify energy efficient opportunities.

Water Consumption, Hygiene and Consumables

The Company has commenced a phased and comprehensive public toilets renovation project in Seef Mall (Seef District) in 2020 which is near completion, and has accounted for various water consumption, hygiene and reduction in consumables initiatives, which is likely to have a positive impact in terms of cost savings and utilisation 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.

For the year ended 31 December 2021

Report on Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Other information included in the Group's 2021 annual report

Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Chairman and the Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Board of Directors' Report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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.

For the year ended 31 December 2021

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.

Report on Other Legal and Regulatory Requirements

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

   i. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

   ii. the financial information contained in the Board of Directors' Report is consistent with the consolidated financial statements; and

   iii. satisfactory explanations and information have been provided to us by Management in response to all our requests.

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

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

   i. has appointed a Corporate Governance Officer; and

   ii. has a board approved written guidance and procedures for corporate governance.

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

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

Consolidated Statement of Financial Position

At 31 December 2021

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

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

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

Non-cash items:

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

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 2021

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

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

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

1 ACTIVITIES

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

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

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of preparation

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

2.3 Basis of consolidation

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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

2.3 Basis of consolidation *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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

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

Amendments to IFRS 16 COVID-19 Related Rent Concessions

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

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

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

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

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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

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

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

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

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

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

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

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

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

2.6 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".

Notes to The Consolidated Financial Statements

At 31 December 2021

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

2.6 Significant accounting policies *(continued)*

Business combinations *(continued)*

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.

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.

Notes to The Consolidated Financial Statements

At 31 December 2021

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

2.6 Significant accounting policies *(continued)*

Investment in associates and joint ventures *(continued)*

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.

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.

Notes to The Consolidated Financial Statements

At 31 December 2021

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

2.6 Significant accounting policies *(continued)*

Capital work-in-progress

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

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

Investment properties

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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.

Notes to The Consolidated Financial Statements

At 31 December 2021

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

2.6 Significant accounting policies *(continued)*

Impairment of non-financial assets *(continued)*

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

Financial instruments – initial recognition and subsequent measurement

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

Financial assets and financial liabilities

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

i) Financial assets

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

Initial recognition and measurement

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

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

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.

Notes to The Consolidated Financial Statements

At 31 December 2021

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

2.6 Significant accounting policies *(continued)*

Financial assets at amortized cost

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

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

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

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

Trade receivables

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

Bank balances and cash

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

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

Derecognition

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

- 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.

Notes to The Consolidated Financial Statements

At 31 December 2021

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

2.6 Significant accounting policies *(continued)*

Impairment of financial assets *(continued)*

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

Amortised cost of financial instruments

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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

2.6 Significant accounting policies *(continued)*

Fair value measurement *(continued)*

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.

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 2021

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

Leases

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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 and policies	Note 30
Sensitivity disclosures	Note 30

Judgements

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

Going concern

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

Property lease classification – Group as lessor

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

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 engaged an independent valuation specialist to assess fair value as at the reporting date for investment properties. For investment properties, different valuation methodologies are applied including income yield capitalisation model and discounted cashflows.

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

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

Useful lives of property, equipment and furniture

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

Impairment of trade receivables

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

Leases - Estimating the incremental borrowing rate

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

Notes to The Consolidated Financial Statements

At 31 December 2021

4 PROPERTY, EQUIPMENT AND FURNITURE

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

2020	Equipment 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:				
At 31 December 2020	604,569	270,309	13,211	888,089

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

5 DEPRECIATION

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

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

6 CAPITAL WORK-IN-PROGRESS

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

7 INVESTMENT PROPERTIES

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

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

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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

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

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

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

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

8 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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

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

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

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

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

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

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

9 RIGHT-OF-USE ASSETS

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

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

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

10 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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10 TRADE AND OTHER RECEIVABLES *(continued)*

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

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

11 BANK BALANCES AND CASH

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

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

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

12 SHARE CAPITAL

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

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13 STATUTORY RESERVE

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

14 FURNITURE AND FIXTURES REPLACEMENT RESERVE

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

15 DIVIDENDS DECLARED

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

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

16 FINANCE COSTS

Finance costs comprise of:

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

17 TERM LOAN

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

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

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17 TERM LOAN *(continued)*

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

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

Movement in the term loan is as follows:

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

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

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

18 LEASE LIABILITY

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

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

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18 LEASE LIABILITY *(continued)*

The movement of the lease liability is as follows:

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

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

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

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

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

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19 EMPLOYEES' END OF SERVICE BENEFITS

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

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

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

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

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

20 UNCLAIMED DIVIDENDS

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

21 TRADE AND OTHER PAYABLES

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

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

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

22 COST OF SALES

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

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23 OTHER OPERATING INCOME

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

24 GENERAL AND ADMINISTRATIVE EXPENSES

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

24.1 Staff costs

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

Notes to The Consolidated Financial Statements

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25 OTHER EXPENSES

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

26 EARNINGS PER SHARE

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

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

27 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

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

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

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27 COMMITMENTS AND CONTINGENCIES *(continued)*

b) Other commitments

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

c) Legal cases

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

d) Guarantees

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

28 SEGMENT INFORMATION

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

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

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

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

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

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

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

Transfer prices between operating segments are approved by management.

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

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

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

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

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29 RELATED PARTY TRANSACTIONS

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

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

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

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

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

Compensation of key management personnel

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

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

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

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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.

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

Concentration of credit risk

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

Liquidity risk

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

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

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

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

Capital management

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

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

Notes to The Consolidated Financial Statements

At 31 December 2021

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, term loan and lease liability are a reasonable approximation of their fair values. Thus, a fair value disclosure is not required for such financial instruments.

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

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

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

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

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

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

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