Strategic Development

Annual Report 2019

البحرين الأولى
First Bahrain

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

His Highness
Sheikh Sabah Al-Khalid Al-Hamad Al-Sabah

Prime Minister of the State of Kuwait

His Majesty
King Hamad bin Isa Al Khalifa

King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

The Crown Prince and Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain

His Royal Highness
Prince Khalifa bin Salman Al Khalifa

The Prime Minister of the Kingdom of Bahrain

Kuwait Office City Tower, 2nd Floor,Khaled Ibn Al Waleed St., Sharq. PO Box 64679, Shuwaikh (B) 70457, State of Kuwait
T (+965) 22414902 F (+965) 22414903 E info@firstbahrain.com

Bahrain Office Almoayyed Tower, Suite 501, Seef District, PO Box 75622, Manama, Kingdom of Bahrain
T (+973) 17567555 F (+973) 17567556 E info@firstbahrain.com

www.firstbahrain.com
FirstBahrain
First-Bahrain-Real-Estate-Development-Co.

www.majaal.com
MajaalWarehouseCo
MajaalWarehouse
Majaal-Warehouse-Co.

www.elmercadojanabiya.com
www.elmercadovillage.com
ElMercadoJ
ElMercadoJ
ElMercadoJ

www.elbalconmall.com
ElBalconMall
ElBalconMall
ElBalconMall

Contents

Company Profile

First Bahrain Real Estate Development Co. K.S.C. (First Bahrain) is an innovative real estate investment company, dedicated to achieving sustainable returns through collaborative relationships. First Bahrain creates enduring value for all stakeholders with a demand-driven investment approach. Operating out of offices in Kuwait and Bahrain, the Company is strategically positioned to execute projects across the GCC.

Established in October 2004 in Kuwait as Baraq Al Khaleej Holding Company, with a paid-up capital of KD 1 million, the corporate name was later changed to First Bahrain Real Estate Development Company, and the paid-up capital was increased. In 2007, First Bahrain opened an office in the Kingdom of Bahrain. Since inception, the Company has been guided by the principles of Islamic Sharia in all its daily operations and business interests.

The principal shareholders of First Bahrain are leading regional institutions and high-profile real estate investors, including KAMCO, Action Group Holdings Co., Wafra International Investments Co., and Esterad Investment Co.

First Bahrain owns or holds rights to over 1,000,000 square feet of strategically located lands in the Kingdom of Bahrain.

The Company's first project, Majaal, is a flexible-use industrial facility designed to support Small-to-Medium-sized Enterprises (SMEs). The facility is located at the Bahrain Investment Wharf (BIW), within Salman Industrial City, near to both the new Khalifa bin Salman Port and the Bahrain International Airport. Comprised of seven buildings developed between 2009 and 2014, the complex is now operating at full occupancy, functioning as home to over 30 businesses representing a range of activities from FMCG distributors to small manufacturers.

The Company initiated a mixed-use development in Janabiya in 2015, completing the commercial phase in early 2016. El Mercado Janabiya, a neighbourhood market with an upscale outdoor experience, has identified a niche market within its catchment area, providing food and beverage, services and a high-end grocer as the anchor. The first of the 42 stand-alone and semi-detached homes were delivered to the off-plan buyers in 2018. El Mercado Village is now a thriving community with two thirds of the units either occupied or transferred to homeowners by year-end.

El Balcón Mall, the Company's latest development in Seef was under construction and nearing completion at year-end. During the year, First Bahrain also signed with Jarir Bookstore, one of the strongest home-grown brands from Saudi Arabia, to build their first store in Bahrain on the adjacent plot. Designs and planning permissions were secured during the year and the construction commenced in early 2020.

With the addition of these commercial and residential developments to its portfolio of industrial properties, the Company has diversified its revenue streams. Even as it now faces the uncertain shocks of the COVID-19, health crisis and lower oil prices, the Company is in a strong cash position which will enable it to weather the storms ahead.

Marked by entrepreneurial leadership, commitment and integrity, First Bahrain is actively putting its potential to work to benefit all its stakeholders.

Our Vision

Our vision is to realise value potential.

Our Values

Our values drive our behaviour. First Bahrain's four core values flow from who we are as people and shape who we are as a Company, enabling us to achieve our vision and mission. These values are also in rank order. If there is any conflict between two values, we choose conduct in line with the higher value.

Our Mission

With entrepreneurial vision and innovation, First Bahrain exists to initiate and orchestrate real estate developments which bring enduring value and sustainable prosperity to both our communities and to our shareholders, through partnerships and investments made in accordance with the principles of Sharia.

Integrity

We are passionate and committed to our principles. Driven by Islamic values, we stand by our corporate social responsibilities. Our expertise and dedication enables us to transcend traditional ideas, and offer clients inspired and meaningful solutions.

Partnership

We continue to build an international network of strategic alliances. These alliances share our vision of maximizing Return on Investment in accordance with the principles of Sharia. In working together with select partners, we develop a strong and secure support-structure and move forward with confidence and strength.

Innovation

We embrace creativity in a constantly changing environment and provide intelligent solutions to capitalise upon these developments. Through dynamic planning, we enhance stakeholder value, increase investor opportunity, and spearhead regional real estate growth to higher levels.

Prosperity

Our understanding and insight into the real estate market is the driving force that enables us to ensure continued prosperity for all our shareholders. We have established an energetic culture that both demands and rewards excellence throughout every business venture.

Report of the Board of Directors

On behalf of the Board of Directors, we hereby deliver to you this Annual Report along with the enclosed Consolidated Financial Statements for the year ended 31 December 2019.

I am pleased to report a return to profitability in a year marked by activation of our signature asset in Seef with the signing of a long-term lease and build-to-suit contract with Jarir Bookstore, one of the strongest and enduring home-grown brands from the Kingdom of Saudi Arabia, and the construction of the El Balcón Mall on the adjacent plot, which is due for opening during Q3 2020. These achievements come alongside significant success in sales and collections with the cumulative transfer of title deeds for 22 of the 42 homes at El Mercado Village. We also restructured all of the Company's debt in a new relationship with Khaleeji Commercial Bank, securing the funds required to build the new projects in Seef while also reducing half our annual cash payments for profit and principle.

These significant achievements enabled the Company to finish the year in its strongest cash position in the decade since the global financial crisis. As I now write you, the world has entered another significant health crisis, surrounding COVID-19. As governments around the world place restrictions on personal and business activities to slow the spread of the disease and the global financial markets have suffered a major shock, I am grateful to report to you that the Company is in the best possible position to endure this time of uncertainty and come through in a leading position on the other side. While we expect to take a substantial economic hit in the year ahead, we have great hope for a future beyond the current difficulties. Reviewing our financial performance for 2019, the Company's net profit was KD 414,511, supported by stable net rental income of KD 1,276,953 in the midst of a market with downward pressures on rental rates due to increased supply. The sale of seven homes in inventory provided gross revenue of KD 973,491 generating KD 102,710 in net profit from sales, but more importantly, but more importantly, cash collected amounted to KD 1,320829, reducing related net receivables by KD 347,338. KD 1,320,829 of cash received reduced villa related net receivables by KD 347,338. Additionally, a nominal increase in the fair value of investment property of KD 501,600 reversed 11% of the prior year's losses in fair value. Finance costs increased to KD 576,982 from KD 351,947 due to one-time fees related to the new arrangement which substantially reduced annual cash outflows to the bank.

Looking at the balance sheet, the value of the total equity of the Company increased by 1.7% to KD 23,173,322 with the book value reaching 109 fils per share, even after the execution of a capital reduction to KD 21,225,191. The value of total assets saw only a minor reduction from the prior year at KD 30,490,948 (2018: KD 30,554,392) driven by a 25.3% reduction in home inventories due to sales, and a 40.1% reduction in receivables due to strong collections. Overall, cash and cash equivalents rose by 10.8%, while total liabilities decreased by 5.9% The combination resulted in a very healthy current ratio of 5.4 (2018: 3.0), which is probably the most important metric to consider as we face these unexpected and ongoing economic shocks.

Overall debt decreased by 5% to a total value of KD 6,587,116 even as the Company began to utilize the new KD 2.4 million facility to construct its two projects in Seef. At 31.6%, our debt to equity ratio is at a very healthy level with ample room for the additional debt the Company will use in support of construction in the year ahead. The new financing facility and the construction line secured highlights the strength of our banking relationships and market confidence in our ability to continue the self-funding of our projects, creating new streams of revenue even in the midst of difficult times.

At year end, El Balcón Mall construction was 60% complete as it moves towards practical completion in Q2 2020. The second phase of our Seef development, the first Jarir Bookstore in the Kingdom of Bahrain, had completed design phase and commencement of construction was awaiting building permits, which since have been issued. These two projects take us significantly closer to our goal of converting all our assets into active generators of revenue.

The Company will continue exploring means to realize cash exits from existing income generating properties to create liquidity for further expansion and dividends. Wherever the Company invests, it will make sure we are adding value and contributing to the local community in keeping with its values.

Transitions and Acknowledgments

This past year we successfully managed a major transition as we welcomed our new Chief Executive Officer, Omar Faisal Al Temiemy, a former board member, who was selected from amongst his peers to ensure continuity and stability. Given his history with the board and his close relationships across leading Kuwaiti financial institutions, he is ideally suited to lead the Company going forward, bringing a sensitivity to the needs of the stakeholders and an investment banker's commitment to growth and achievement of objectives. Omar Faisal Al Temiemy began his assignment from the first of the year and has already made his mark on operations, delivering improved performance in the midst of a challenging environment.

We would also like to welcome back to the Board of Directors Mr. Abdullah Hamad Al Jouan, formerly a member of the board from 2014-2017, who now occupies the seat vacated by the CEO. Mr. Al Jouan brings a wealth of experience in banking and investments. His return adds value to the Audit & Risk Management Committee and to the board overall.

Looking to our national leadership, I extend my best wishes to H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Amir of the State of Kuwait, to H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of the State of Kuwait, and to H.H. Sheikh Sabah Al-Khalid Al-Hamad Al-Sabah, Prime Minister of the State of Kuwait, for their wise guidance and dedication to advancing the growth and development of the State of Kuwait.

In like manner, I am grateful for the faithful and well-considered leadership of H.M. the King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, H.R.H. the Crown Prince, Salman bin Hamad Al Khalifa, The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain and H.R.H. the Prime Minister, Khalifa bin Salman Al Khalifa, the Prime Minister of the Kingdom of Bahrain. We are privileged to be working with you to develop and add enduring and sustainable value to the nation.

Furthermore, I express appreciation to all governmental ministries, supervisory bodies, and regulatory authorities of both countries, for their constructive support and wise guidance.

To our shareholders, I sincerely hope this year's return to profitability renews your trust and rewards your patience over the past several years. To our management and staff, I sincerely appreciate your faithful and professional service, extending your loyalty to your new CEO and demonstrating renewed diligence to achieving your targets. Your ongoing faithfulness and shared commitment will be required to overcome the unique challenges before us as the new year unfolds and we collectively confront the COVID-19 global health crisis. Together, we will steward the resources of the Company, weather the storm, and come out stronger than ever.

May Almighty Allah grant us all health, security and sustainable prosperity.

Waleed Ahmed Alkhaja
Chairman

Diversified and Growing Portfolio

JARIR BOOKSTORE

EL BALCÓN

COMMERCIAL SECTOR 42%

Jarir Bookstore

Jarir Bookstore is one of the strongest brands in the Kingdom of Saudi Arabia. This new big box retail project is being custom designed to meet the needs of the client who are making their first entry into the Bahrain market after successful expansions into Kuwait and other GCC countries.

Location: Corner of Road 2819 and Road 4653 Seef 346 Kingdom of Bahrain:

Value:	US$ 15.2 million
Leasable Area:	38,000 square feet
Start of Construction:	Q2 2020
Expected Completion:	Q2 2021

El Balcón

The new Seef project is a retail centre designed to provide a mix of casual dining restaurants, cafés, shopping, and services featuring terraced views and outdoor seating.

Location: Corner of Road 2819 and Road 4653 Seef 346 Kingdom of Bahrain

Value:	US$ 21.5 million
Leasable Area:	45,200 square feet
Start of Construction:	Q1 2019
Expected Completion:	Q2 2020

EL MERCADO
المركادو
JANABIYA الجنبية

El Mercado Janabiya

El Mercado Janabiya is a neighbourhood retail centre designed to provide a mix of casual dining restaurants, cafés, shopping, and services supported by an anchor supermarket. Strong foot-traffic has been maintained through active marketing, social media and regular events.

The facility has 120 covered car parks at ground level. The majority of the shops are on an elevated, landscaped open air platform cooled with shading and water features.

The development sits on an 86,600 square foot plot in Block 575 of Janabiya.

Location: Corner of Avenues 27 and 79 Janabiya, 575 Kingdom of Bahrain:

Value:	US$ 13.0 million
Average Occupancy at 31 December:	97%
Leasable Area:	50,408 square feet
Start of Construction:	Q2 2015
Date of Completion:	Q2 2016
Commencement of Operations:	Q3 2016
Grand Opening:	Q4 2016

EL MERCADO VILLAGE
قريــة المركادو
JANABIYA الجنبية

RESIDENTIAL SECTOR 9%

RESIDENTIAL SECTOR

El Mercado Village was designed in a Spanish and Mediterranean style, the homes are complementary in style to the adjacent retail development. Project zoning is RHA (row houses) enabling the development of 34 semi-detached and 8 stand-alone villas.

The Company received a license to sell off-plan in January 2017 and established a project escrow account in full compliance with the real estate laws designed to protect the interests of home buyers. The project was the first under this new escrow system to receive regulatory clearance to release the funds upon successful delivery of the pre-sold properties.

The occupants of the homes are now demand drivers for the businesses which locate within the retail centre. The two projects benefit from each other's success.

Location: Avenue 79 Janabiya 575 Kingdom of Bahrain

Value:	US$ 8.5 million
Total Remaining Units:	20
Total Land Area:	109,900 square feet
Start of Construction:	Q4 2016
Date of Completion:	Q4 2018

INDUSTRIAL SECTOR 38%

Majaal Warehousing Development at BIW

Majaal is a leading provider of industrial facilities for Small to Medium-sized Enterprises (SMEs), a market segment which constitutes the engine of growth for every economy. As developer and operator of these flexible multi-purpose facilities, Majaal seeks to facilitate the growth of business and industry in the markets we serve.

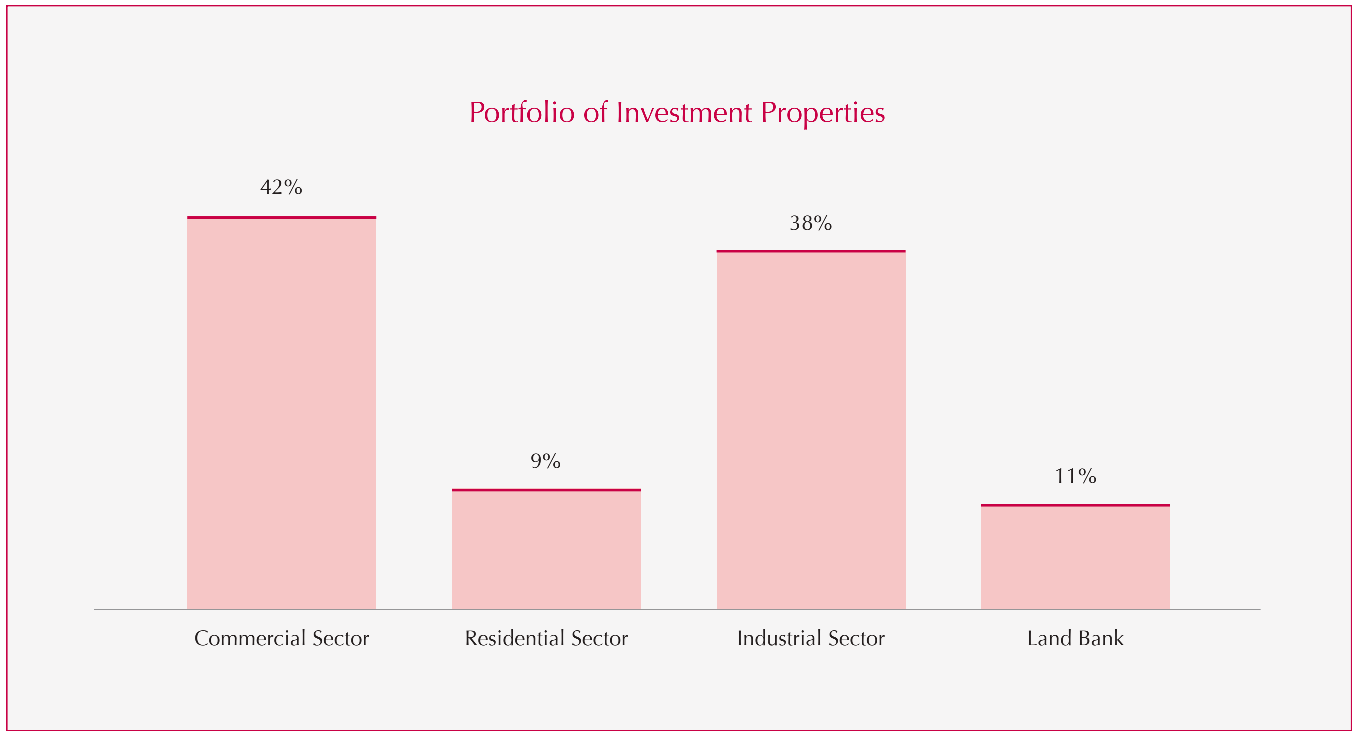
The first Majaal property is located at the Bahrain Investment Wharf (BIW) within the Salman Industrial City, providing easy access to Khalifa bin Salman Port and other major transport links in Bahrain. Majaal holds land covering over 717,000 square feet in this modern and private industrial development.

The initial three S-Type buildings became operational in February 2010. Each building is sub-dividable into units as small as 2,500 square feet. Three more S-Type buildings were added to our inventory in June 2013.

The centrepiece of the development at BIW, completed during 2014, is our M-Type building, offering 150,000 square feet of net leasable area sub-divisible into units of minimum space of 10,700 square feet. The building features raised floors with adjustable dock-levellers to cater for direct on and off loading of trucks along with a 12m structure height to facilitate maximum storage density.

Location: Bahrain Investment Wharf, Salman Industrial City, Kingdom of Bahrain

Value:	US$ 35.3 million
Average Occupancy at 31 December:	94%
Leasable Area:	405,000 square feet
Start of Construction:	Q1 2009
Date of Completion:	Q2 2014



LAND BANK 11%

Seef District – just north of Bahrain City Centre Mall

The Company's two remaining plots in the new central business district hold strategic value and significant potential. Having stabilized in value since the 2008 global financial crisis, the real estate cycle is approaching the point at which the economics are favourable for development again.

The Company will study the results of its first two projects in Seef before determining the best complimentary use of the land to maximize value.

Location: Corner of Road 2819 and Road 4653 Seef 346 Kingdom of Bahrain

Value:	US$ 10.3 million
Land Area	50,860 square feet

Board of Directors

Mr. Waleed Ahmed Alkhaja
Chairman

Mr. Alkhaja is a seasoned leader with a long career in investments. He served for 19 years in the Investment Directorate of the Kingdom of Bahrain's Ministry of Finance, before joining the Pension Fund Commission of Bahrain as Director of Investment and Executive Director of the SIO Asset Management Company. In 2013, he became the Managing Director of AMAK Property & Development, a family firm. He served two terms on the Board of Directors of Seef Properties and Batelco Group. He currently serves on the Board of Directors of Bahrain Tourism Co., Reef Real Estate Finance Co., and Gulf Educational Projects (Applied Science University). Mr. Alkhaja holds a Bachelor's degree in Business Administration from North Texas State University.

Mr. Abdulaziz Al Humaidhi
Vice Chairman

Mr. Al Humaidhi is the Deputy General Manager of Action Real Estate Company in Kuwait. A member of Action Real Estate Company since 2016, Mr. Al Humaidhi comes with over 17 years of extensive experience in private sector real estate. While at Ajial Real Estate & Entertainment Company, he managed the construction of Kuwait's tallest skyscraper, the Al Hamra Tower. He also worked in the Chicago, USA with Stanley Consultants, Inc. He currently serves on the Board of Directors for Al Masaken International Real Estate Development Company and previously served as Chairman of Al Hamra Cinema Company, and as a board member for both Ecovert FM Kuwait for General Trading and Contracting and Gulf Real Estate Company. He holds a Bachelor of Science degree in Civil Engineering from the Santa Clara University in California, USA.

Mr. Sulaiman Mohammad Al Furaih
Director, Audit and Risk Management Committee Chairman

Mr. Al Furaih is the Vice President of Financial Analysis for Wafra International Investment Company in Kuwait, where he has risen through the ranks over a distinguished 13 years career with the firm. He also serves as the Chairman of the Board of Directors for Sanam Real Estate Company, Chairman of the Board of Directors for Marbil Yapi Construction - Turkey and Chairman of the Board of Directors for Fanan Real Estate Company. Mr. Al Furaih holds a Bachelor of Science degree in Accounting and Auditing from Kuwait University.

Mr. Bader Ghanem Al Ghanem
Director, Remuneration Committee Chairman

Mr. Al Ghanem is the Chief Executive Officer at Global Investment House in Saudi Arabia. Previously he was the Senior Vice President for Asset Management, MENA, where he managed a portfolio valued in excess of USD 1 Billion. Prior to joining Global in 2010, he worked for Kuwait Middle East Financial Investment Company (KMEFIC) and Kuwait Financial Centre (Markaz) where he held positions in asset management and futures trading. Mr. Al Ghanem holds a Bachelor of Science degree in Electrical Engineering along with a Bachelor of Arts degree in Economics from Boston University.

Mr. Ahmad Mohammad Al Ajlan
Director

Mr. Al Ajlan is a well-respected senior leader with extensive experience in real estate and investment management. Currently serving as the Chairman for Al-Jahra Cleaning Company, Mr. Al Ajlan has served on the Board of Directors of Qurain Petrochemical Industries Company and Zumorroda Leasing & Finance Company. He previously worked as the General Manager of Real Estate House Company, Vice President of Qurain Holding Company and General Manager of Pearl of Kuwait Real Estate Company. Earlier, he also served with the Kuwait Clearing Company, Kuwait Lube Oil Company and the Public Industrial Authority. Mr. Al Ajlan holds a Bachelor's degree in Business Studies with an emphasis in Marketing from Kuwait University.

Mrs. Hanan Hassan Abdulghani
Director

Mrs. Abdulghani is the Head of Direct Investment at Esterad Investment Company B.S.C. who brings with her more than 13 years of investment experience in the private equity and real estate sectors. She sits on the boards of several investee companies on behalf of Esterad Investment Company. Mrs. Abdulghani holds a Bachelor of Science degree in Banking and Finance from the University of Bahrain and membership within the CFA Society.

Mr. Abdullah Hamad Al Jouan
Director

Mr. AlJouan is the VP of Strategic Corporate Relations MENA at Talabat as well as Managing Partner of Gusto Group Food Services. Previously, he was the Director of General (DG) of the National Fund for Small & Medium Enterprise Development and also the Deputy General Manager for Al Jouan Investment. His career in finance and investments has seen him serve with the Capital Markets Authority, the Kuwait Financial Centre (Markaz) and Boubyan Bank. Mr. Al Jouan holds a Bachelor of Science degree in Business Administration from the University of Denver.

Executive Management

Omar Faisal Al Temiemy
Chief Executive Officer

Mr. Al Temiemy is serving as the CEO since 1 January 2019. He is the former Vice President in the Investment Banking Department at Global Investment House in Kuwait. A previous member of the Global Investment House team since 2003, Mr. Al Temiemy brings significant experience in investment analysis and management. He was a lead team member of issuing and restructuring more than USD 750 million worth Bonds including the work as bondholders representative, also arranging short-term customized financing transaction and syndications of around KD 700 million. He worked as a financial advisor for debt restructuring in a USD 600 million debt restructuring of an industrial company in Kuwait. Key mergers and acquisition transactions for which he has served as the Buy/ Sell–side advisor are valued at more than USD 200 million across sectors including educational, medical, leasing and financing, contracting and food and beverages. His current and past board memberships include First Bahrain Real Estate Development Company (2014-2019), First Securities Brokerage Company (Oula Wasata) (2014- 2019), Global Investment House Jordan – Vice Chairman (2017), Bayan Holding Company (2012-2014). He holds a Bachelor's degree in Economics, with a specialization in Finance, from the International Islamic University of Malaysia and a Master of Business Administration from the Kuwait Maastricht Business School.

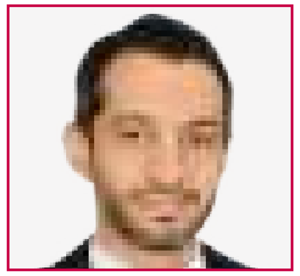
Daniel Taylor
Chief Financial Officer

An entrepreneur and professional management accountant with a wealth of operational and management experience, Mr. Taylor leads the Finance and Operations teams, overseeing the planning and execution of the Company's strategic objectives. Prior to joining First Bahrain, he was General Manager of New York Coffee, and General Manager of Mariner Technologies, where he was the chief architect of the GCC business news portal, TradeArabia.com. He serves as a member of the Board of Directors of the American Chamber of Commerce in Bahrain and Al Raja School, Bahrain. He earned his Master of Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and his Bachelor of Arts from the University of Virginia, USA. Mr. Taylor holds the designations FCMA and CGMA through the Chartered Institute of Management Accountants (CIMA) and the Association of International Certified Professional Accountants (AICPA).

Yasser Abu-Lughod
Chief Development Officer

Mr. Abu-Lughod brings over 30 years of international project management and engineering experience to the First Bahrain team where he leads the Company's developments from concept to construction to commissioning and beyond. Prior to joining First Bahrain, Mr. Abu-Lughod worked as senior project manager for Mace International where he managed the infrastructure design and construction phases for Bahrain Bay Development project. He also held several senior posts at VicRoads in Victoria, Australia and GHD Global where he played a key role in the success of infrastructure projects in Al Khore, Qatar. Mr. Abu-Lughod holds a B.Sc. in Civil Engineering from University of Wisconsin, Milwaukee; USA. He is a Charted Professional Engineer and a member of the Institution of Engineers in Australia, a holder of the Project Management Professional certification (PMP) and a member of the Project Management Institute (PMI).

Khalid Shaheen
Head of Business Development



Hussain Salman
Senior Financial Controller

Hamed Shehab El-Din
Finance Manager

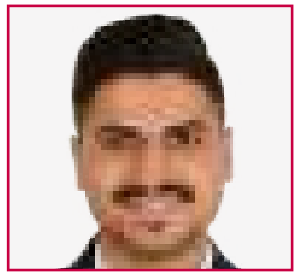
Ameera Al-Qusaimi
Board Secratary

Jamila Ghazal
Project Manager - Architect

Basma AlMukharreq
HR & Marketing Manager

Hessa Aljaber
Associate Project Manager - Civil Engineer

Hussain Isa
Associate - Collections & Gov. Relations



Sayed Mustafa Alawi
Associate - Accountant

Thompson Mwadori
Mall Operations Manager

Mahmood AlSarhani
Assosciate - Information Systems

Mahmood Alsairafi
Assosciate - Business Development

Muna Ali
Admin. Assistant

Hussain Alani
Jr. Associate - Business Development

Marwa AlNasheet
Jr. Associate - Business Development

Corporate Governance

The Company has put in place a Corporate Governance framework through which it seeks to safeguard shareholders interest, particularly for the minority owners.

The Company has put in place a Corporate Governance framework through which it seeks to safeguard shareholders interest, particularly for the minority owners. The Company seeks to balance entrepreneurship, compliance and industry best practice, while creating value for all stakeholders. This includes, but is not limited to, conducting the policy and affairs of the Company in compliance with regulatory requirements. It also involves having checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

First Bahrain Real Estate Development Company K.S.C. (Closed) is a Kuwaiti closed Shareholding Company which operates as a real estate developer in compliance with the guiding principles of Islamic Sharia. While not publicly listed, the Company is working to fully comply with the Corporate Governance framework as established by the Capital Markets Authority of Kuwait. The Company has only one class of ordinary share and the holders of shares have equal voting rights. The list of leading shareholders in the Company as of 31 December 2019 is as follows:

Name	Nationality	No. of Shares	Share %
KAMCO Investments (Client Accounts)	Kuwaiti	93,833,214	44.2%
Wafra International Investments (Client Accounts)	Kuwaiti	42,188,890	19.9%
Esterad Real Invest 1 WLL	Bahraini	13,209,475	6.2%
Other Shareholders	Various	63,020,331	29.7%
Total		**212,251,910**	**100.0%**

Distribution of ownership by shares and nationality:

Nationality	Shareholders	No. of Shares	Share %
Kuwaiti	256	183,082,501	86.2%
Bahraini	6	18,422,011	8.7%
Other Nationalities	13	10,747,398	5.1%
Total	**275**	**212,251,910**	**100.0%**

Distribution of ownership by size of shareholders:

Size of Holding	Shareholders	No. of Shares	Share %
Less than 1%	262	22,375,901	10.5%
1% to less than 5%	10	43,008,625	20.3%
5% to less than 10%	1	13,209,475	6.2%
10% and above	2	133,657,909	63.0%
Total	**275**	**212,251,910**	**100.0%**

Board of Directors

The Articles of Association of the Company detail the responsibilities of the Chairman and members of the Board of Directors as well as the guidelines of Corporate Governance with respect to the distribution of responsibilities between the Board of Directors and Executive Management. The Board of Directors oversee all the business activities in consultation with the Executive Management team. The Board of Directors also discuss and confirm the Company's business strategy. Additionally, the Board of Directors is responsible for the preparation of financial statements, for risk management, and for Corporate Governance issues. These activities are supplementary to the main role of the Board of Directors which is to ensure adherence and commitment to the Company's values as set forth in its internal policies and procedures.

When appointed, Board Members are provided with the necessary detailed information to enable them to effectively perform their main role of overseeing the strategic, operational, financial, and compliance affairs as well as corporate Governance controls in the Company. The Corporate Governance framework allows a member of the Board of Directors to seek independent advice when necessary.

With respect to the channels of communication between the Board of Directors and Executive Management, the Board Members can always contact and request information from the Executive Management.

Board of Directors are responsible for ensuring that the systems and controls framework in the Company, including the Board structure and the organizational structure is appropriate for the Company's business and its associated risks. The Board of Directors ensure that there are sufficient resources and expertise to identify, understand, and measure the significant risks to which the Company is exposed in its activities. Directors are regularly assessing the systems and controls framework of the Company to ensure that:

- The Company's operations, individually and collectively are measured, monitored, and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of the Company's activities;
- The Company's operations are supported by an appropriate control environment;
- The compliance, risk management and financial reporting functions are adequately resourced, independent of business lines and is run by individuals not involved with the day-to-day running of the various business areas.
- The Management develops, implements and oversees the effectiveness of comprehensive "Know Your Customer" standards, as well as on-going monitoring of accounts and transactions, in keeping with the requirements of relevant laws, regulations, and best practice.

In their strategy review process, the Board of Directors:
- Review the Company's business plans and the inherent level of risk in the plans;
- Assess the adequacy of capital to support the business risks of the Company;
- Set performance objectives; and
- Oversee major capital expenditures, divestitures, and acquisitions.

Election and Re-election of Directors:

In their meeting dated 14 May 2017 and in compliance with the terms stipulated in the Article of Association, the Shareholders elected all current members of the Board of Directors for a period of three years. Mr. Abdullah Hamad Al Jouan was elected to the Board of Directors by the shareholders at the Annual General Meeting on 13 June 2019 to fill the seat vacated by Mr. Omar Faisal Al Temiemy who resigned during the year to assume the post of Chief Executive Officer.

The Directors are elected by the shareholders at the Annual General Meeting. Candidates for the Board shall be selected by the Remuneration Committee, and recommended to the Board of Directors for approval, in accordance with the qualifications approved by the Board taking into consideration the overall composition and diversity of the Board and areas of expertise new Board members might be able to offer.

Board Composition & Attendance

The members of the Board of Directors collectively possess an extensive background in finance, real estate development, and broader management experience. The members provide valuable directives in meeting Company objectives. The Board consists of seven (2018: seven) non-executive Directors with four (2018: four) being independent Director(s).

Per the Articles of Association, the Board is required to meet six times during each year. Board members must attend 75% of all meetings within a calendar year. Board members will step down if they are unable to attend four consecutive meetings without an acceptable explanation. The absence of Board members at Board and Committee meetings will be noted in the meeting minutes. Board attendance percentage will then be reported during any General Assembly Meeting when Board members stand for re-election. Voting and attendance proxies for Board meetings are always prohibited.

Board & Committee Membership:

Director's Name	Membership Type	Position	Committee Membership Remuneration	Audit & Risk Management
Waleed Ahmed Alkhaja	Independent	Chairman	Member	
Abdulaziz Abdulla Al Humaidhi	Non-Independent	Vice Chairman	Member	
Sulaiman Mohammad Al Furaih	Non-independent	Member		Chairman
Bader Ghanem Al Ghanem	Independent	Member	Chairman	
Ahmad Mohammad Al Ajlan	Independent	Member		Member
Hanan Hassan Abdulghani	Non-independent	Member		Member
Omar Faisal Al Temiemy	Independent	Member		Member

Board Meeting Attendance Record:

Meeting Date	2018-1 1 Feb	2018-2 21 Mar	2018-3 21 Mar	2018-4 14 May	2018-5 12 Jun	2018-6 2 Jul	2018-7 4 Oct	2018- 8 18 Oct	2018-9 7 Nov	Attendance
Waleed Ahmed Alkhaja	C	C	C	C	C	C	C	C	C	100%
Abdulaziz Abdulla Al Humaidhi	P	P	P	P	P	P	P	P	P	100%
Sulaiman Mohammad Al Furaih	A	P	P	P	P	P	P	P	P	89%
Bader Ghanem Al Ghanem	P	P	P	P	P	P	P	P	P	100%
Ahmad Mohammad Al Ajlan	P	P	P	P	P	P	P	P	P	100%
Hanan Hassan Abdulghani	P	P	P	P	P	P	P	P	P	100%
Abdullah Hamad Al Jouan	/	/	/	/	/	/	P	P	P	100%
Omar Faisal Al Temiemy	P	P	P	P	/	/	/	/	/	100%

Board Committee Meetings Attendance Record:

Audit and Risk Management Committee

Meeting Date	2019-1 13-Feb	2019-2 10-Mar	2019-3 12-Jun	2019-4 2-Oct	2019-5 1-Dec	Attendance
Sulaiman Mohammad Al Furaih	C	C	C	C	C	100%
Omar Faisal Al Temiemy	P	P	/	/	/	100%
Hanan Hassan Abdulghani	P	P	P	P	P	100%
Ahmad Mohammad Al Ajlan	P	P	P	P	P	100%
Abdullah Hamad Al Jouan	/	/	/	P	P	100%

Remuneration Committee

Meeting Date	2019-1 10-Mar	2019-2 2-Dec	Attendance
Bader Ghanem Al Ghanem	C	C	100%
Waleed Ahmed Alkhaja	P	P	100%
Abdulaziz Abdulla Al Humaidhi	P	P	100%

P=Present A=Absent
Profiles of each of the members of the Board of Directors are included within this Annual Report.

Board Committees
The Board of Directors have established two subordinate Committees and have delegated specific powers to each committee as follows:

Audit & Risk Management Committee
The primary purpose of the Audit & Risk Management Committee is to assist the Board of Directors in fulfilling its responsibilities by overseeing all audit (external, internal, and Sharia) related processes for the Company and its Subsidiaries and by reviewing the related financial information which will be provided to the shareholders, banks and other stakeholders, as well as the systems of internal controls which Management and the Board of Directors have established. The Committee must meet at least three times a year.

The Committee held five meetings during the fiscal year 2019.

Remuneration Committee
The Remuneration Committee was established to align with best practice in Corporate Governance. As and when required by the Board, the Committee identifies persons qualified to become members of the Board, to serve as Chief Executive Officer ("CEO") and or other officers of the Company. The appointment of the external and internal auditors, however, is the responsibility of the Audit & Risk Management Committee. The Committee can make recommendations to the Board including recommendations of candidates for the Board membership to be included by the Board on the agenda for the next AGM meeting, besides reviewing the Company's remuneration policies for both the Executive Management and for the Board of Directors. Board remuneration shall be subject to approval by the shareholders in the AGM meetings. The Committee must meet at least twice a year.

The Committee held two meetings during the fiscal year 2019.

Management
The Board delegates authority for the day-to-day management of the Company to the Chief Executive Officer, who is supported by a qualified and experienced Executive Management team. Profiles of the Executive Management are included within this Annual Report.

Communication & Disclosure
The Company conducts all communications with its stakeholders in a professional, transparent, and timely manner. Communication channels include this annual report and the Annual General Meeting of the shareholders. Other communication channels include the website, social media, and regular announcements made to the local press. For the most current information regarding the Company, including relevant news along with current and historical financial reports, you are invited to regularly visit the Company website at www.firstbahrain.com.

Risk Management
The Company has developed a risk management framework that provides controls and ongoing management of the major risks inherent in the Company's core business activities. The Board of Directors has the ultimate authority for setting the risk appetite, risk tolerance and associated parameters and limits, in which the Company operates. The Audit & Risk Management Committee is responsible for establishing, maintaining, and monitoring a risk-based approach to all business activities and management of the Company.

The main risks that the Company is exposed to are credit, liquidity, and market risk. The nature of these risks are further detailed in note 3 to the Consolidated Financial Statements.

Capital Management
The policy of the Board of Directors is to maintain a strong capital base in order to maintain investor, creditor and market confidence, as well as to provide for the future development of the Company. The Board of Directors seeks to maintain a balance between the higher returns and growth which may be possible with higher levels of borrowings and the advantages and security offered by a sound capital position.

Internal Audit
Internal Audit provides an additional line of defence in risk management and internal controls. The role of internal audit is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Company is appropriately and effectively applied.

Internal Audit reports on a semi-annual basis to the Board of Directors through the Audit & Risk Management Committee. The internal auditors report to the Audit & Risk Management Committee the results of periodic audits and obtains commitments from Management to take any remedial action required for any issues raised. The Bahrain office of global audit and advisory firm, Deloitte, serves as the Company's internal auditors.

Al Mashora & Al Raya Shari'ah Advisory Board Report

04/03/2020

Final report of the Sharia Supervisory Committee
For the financial period of 01/01/2019 to 31/12/2019

To The Shareholders of First Bahrain Real Estate Development
Allah's peace, mercy and blessings be upon you

In accordance with the powers delegated to us by the members of the General Assembly of First Bahrain Real Estate Development the Company's Articles of Association and the relevant regulatory directives, the Sharia Supervisory Committee submits its final report for the period from 01/01/2018 to 31/12/2018 It includes four items as follows:

First: The work of the Sharia Supervisory Committee
The Sharia Supervisory Committee carried out its work, which included examining the investment structures, contract forms, products, policies and procedures either directly or in coordination with the internal Sharia audit department in order to obtain all the information and explanations that it considered necessary to provide sufficient evidence and give reasonable assurance that the company did not violate the provisions of Islamic law in the light of the resolutions of the Sharia Supervisory Committee and the Sharia standards adopted by the Company and the decisions of the relevant regulatory bodies.

Second: Decisions of the Sharia Supervisory Committee
The Sharia Supervisory Committee of the Company responded to all the company's inquiries and issued 21 decisions.

Three: Decisions of the Sharia Supervisory Committee
The Sharia Supervisory Committee did not Approve any policies and procedures during the period.

Four: The final opinion:
In our opinion, after examining all the clarifications and assurances we have obtained, we confirm that:

1. The contracts, operations and transactions concluded by the Company during the period from 01/01/2019 to 31/12/2019 were made entirely in accordance with the provisions of the Islamic Sharia.
2. The responsibility to pay zakat falls on the shareholders.

Shari'ah Advisory Board:

Head of the Sharia Supervisory Committee
Prof. Dr. Abdul Aziz Al Qassar

Member of the Sharia Supervisory Committee
D. Issa Zaki Issa

Member of the Sharia Supervisory Committee
D. Ali Ibrahim Al Rashed

Consolidated Financial Statements

Independent Auditor's Report

The Shareholders,
First Bahrain Real Estate Development Company K.s.c. (Closed)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Bahrain Real Estate Development Company K.S.C. (Closed) ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the report of the Board of Directors included in the Group's annual report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report, which is 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 and will 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 judgment 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law no. 1 of 2016, its executive bylaws and by the Parent Company's articles of association; that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law no. 1 of 2016, its executive bylaws nor of the Parent Company's articles of association have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Group or on its consolidated financial position.

Khalid Ebrahim Al-Shatti
License No 175 A
PricewaterhouseCoopers (Al-Shatti & Co.)

30 March 2020
Kuwait

Consolidated statement of financial position

For the year ended 31 December 2019

As at 31 December	Notes	2019 KD	2018 KD
Assets			
Non-current assets			
Investment properties	6	25,674,348	24,622,100
Furniture and equipment		51,761	131,009
Right of use assets	3.1	15,984	-
		25,742,093	24,753,109
Current assets			
Developing properties	7	2,579,398	3,454,750
Trade and other receivables	8	506,447	846,155
Wekala deposits	9	900,896	521,623
Cash and cash equivalents	10	762,114	978,755
		4,748,855	5,801,283
Total assets		30,490,948	30,554,392
Equity and liabilities			
Equity			
Share capital	11	21,225,191	23,330,960
Statutory reserve	12	42,271	1,621,143
Foreign currency translation reserve	13	1,533,620	1,555,785
Retained earnings / (accumulated losses)		372,240	(3,726,912)
Total equity		23,173,322	22,780,976
Liabilities			
Non-current liabilities			
Islamic finance payables	14	6,315,702	5,615,811
Trade and other payables	15	-	147,877
Lease liabilities	3.1	4,031	-
Employees' end of service benefits		114,902	98,718
		6,434,635	5,862,406
Current liabilities			
Islamic finance payables	14	271,414	1,314,943
Trade and other payables	15	599,708	596,067
Lease liabilities	3.1	11,869	-
		882,991	1,911,010
Total liabilities		7,317,626	7,773,416
Total equity and liabilities		30,490,948	30,554,392

Waleed Ahmed Alkhaja
Chairman

Omar Faisal Al Temiemy
Chief Executive Officer

The accompanying notes set out on pages 36 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2019

As of 31 December	Notes	2019 KD	2018 KD
Income			
Net rental income	16	1,276,953	1,154,610
Revenue from contracts with customers	17	973,491	2,605,738
Change in fair value of investment properties	6	501,600	(5,514,460)
Impairment of developing properties	7	-	(148,212)
Unrealised loss on financial assets at fair value through profit or loss		-	(3,767)
Income from wekala deposits		9,539	7,320
Foreign exchange losses		-	(1,886)
Other Income		2,382	-
Total income / (loss)		2,763,965	(1,900,657)
Expenses			
Cost of revenue from contracts with customers	7	(870,781)	(2,401,263)
General and administrative expenses	18	(786,966)	(642,423)
Selling and marketing expenses		(106,530)	(40,389)
Finance costs		(576,982)	(351,947)
Total expenses		(2,341,259)	(3,436,022)
Profit / (loss) before provisions for contribution to Kuwait Foundation for Advancement of Sciences (KFAS) and Zakat		422,706	(5,336,679)
Contribution to KFAS		(3,806)	-
Zakat		(4,389)	-
Profit / (loss) for the year		414,511	(5,336,679)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(22,165)	(122,701)
Other comprehensive loss for the year		(22,165)	(122,701)
Total comprehensive profit / (loss) for the year		392,346	(5,459,380)

The accompanying notes set out on pages 36 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital KD	Statutory reserve KD	Foreign currency translation reserve KD	Retained earnings / (accumulated loss) KD	Total equity KD
Balance at 1 January 2018	23,330,960	1,621,143	1,678,486	1,663,829	28,294,418
Impact of adoption of IFRS 9 at 1 January 2018	-	-	-	(54,062)	(54,062)
Restated total equity at 1 January 2018	23,330,960	1,621,143	1,678,486	1,609,767	28,240,356
Loss for the year	-	-	-	(5,336,679)	(5,336,679)
Other comprehensive loss for the year	-	-	(122,701)	-	(122,701)
Total comprehensive loss for the year	-	-	(122,701)	(5,336,679)	(5,459,380)
Balance at 31 December 2018	23,330,960	1,621,143	1,555,785	(3,726,912)	22,780,976
Balance at 1 January 2019	**23,330,960**	**1,621,143**	**1,555,785**	**(3,726,912)**	**22,780,976**
Profit for the year	-	-	-	414,511	414,511
Other comprehensive loss for the year	-	-	(22,165)	-	(22,165)
Total comprehensive loss for the year	**-**	**-**	**(22,165)**	**414,511**	**392,346**
Transfer to statutory reserve	-	42,271	-	(42,271)	-
Absorption of accumulated losses (note 11)	(2,105,769)	(1,621,143)	-	3,726,912	-
Balance at 31 December 2019	**21,225,191**	**42,271**	**1,533,620**	**372,240**	**23,173,322**

The accompanying notes set out on pages 36 to 59 form an integral part of these consolidated financial statements.

Consolidated statements of cash flows

For the year ended 31 December 2019

For the year ended 31 December	Note	2019 KD	2018 KD
Cash flows from operating activities			
Profit / (loss) for the year		414,511	(5,336,679)
Adjustments for:			
Depreciation	18	75,575	30,214
Unrealised loss on financial assets at fair value through profit or loss		-	3,767
Impairment charges for trade and other receivables		3,133	757
Write off of furniture and equipment		80,254	-
Change in fair value of investment properties	6	(501,600)	5,514,460
Impairment of developing properties	7	-	148,212
Finance costs		576,982	351,947
Income from wekala deposits		(9,539)	(7,320)
Provision for employees' end of service benefits		16,352	41,711
Operating income before changes in working capital		655,668	747,069
Changes in working capital:			
Developing properties		870,781	1,364,123
Trade and other receivables		331,928	(430,225)
Trade and other payables		(144,236)	(471,299)
Cash generated from operating activities		1,714,141	1,209,668
Employees' end of service benefits paid		-	(26,297)
Net cash generated from operating activities		1,714,141	1,183,371
Cash flows from investing activities:			
Additions to investment properties	6	(573,533)	(29,710)
Purchase of furniture and equipment		(42,149)	(30,839)
Wekala deposits		(379,273)	(521,623)
Income from Wekala deposits received		9,539	7,320
Net cash used in investing activities		(985,416)	(574,852)
Cash flows from financing activities:			
Proceeds from Islamic finance payables	14	6,587,116	805,000
Repayments of Islamic finance payables	14	(6,925,379)	(893,860)
Lease liabilities paid	3.1	(34,778)	-
Finance costs paid		(576,982)	(351,947)
Net cash used in financing activities		(950,023)	(440,807)
Net (decrease) / increase in cash and cash equivalents		(221,298)	167,712
Net foreign exchange difference		4,657	(26,611)
Cash and cash equivalents at the beginning of the year		978,755	837,654
Cash and cash equivalents at the end of the year	10	762,114	978,755
Non-cash transactions			
Furniture and equipment - right-of-use assets	3.1	(50,678)	-
Trade and other payables - lease liabilities	3.1	50,678	-
Trade and other receivables		-	(54,062)

The accompanying notes set out on pages 36 to 59 form an integral part of these consolidated financial statements.

1. INCORPORATION AND ACTIVITIES

First Bahrain Real Estate Development Company K.S.C. (Closed) ("the Parent Company") was incorporated as a Kuwait Shareholding Holding Company on 5 October 2004. The Parent Company has commercial registration Number 103837 dated 16 October 2004. The Parent Company is engaged in activities in accordance with Noble Islamic Sharia, which include:

- Trading, management and development of properties inside and outside Kuwait.
- Owning, buying and selling of stocks and bonds of real estate companies inside and outside Kuwait.
- Performing maintenance of properties, including mechanical, electro-mechanical, and air conditioning activities.
- Performing real estate advisory services, feasibility studies and real estate appraisals.
- Managing, operating and leasing hotels, clubs, residential buildings, touristic and health care resorts and providing support services.
- Organizing real estate exhibitions for the Parent Company's real estate projects.

The registered head office of the Parent Company is P.O. Box 29295 Al-Safat 13153, State of Kuwait.

The Parent Company's main office is at City Tower, 2nd Floor, Khaled Bin Al Waleed Street, Sharq, Kuwait.

The consolidated financial statements comprise the Parent Company and its directly owned branch and subsidiaries (together referred to as "the Group"). A list of the branch and subsidiaries are as follows:

Name of the company	Country of incorporation	Percentage of ownership 2019	Percentage of ownership 2018	Principal activities
First Bahrain Real Estate Development Company (Bahrain branch)	Kingdom of Bahrain	100%	100%	Real estate and investment activities
First Kuwait Al Seef Real Estate Development Company W.L.L.	Kingdom of Bahrain	99.9%	99.9%	Real estate and investment activities
FB Janabiya Residential Development Company W.L.L.	Kingdom of Bahrain	99.8%	99.8%	Real estate and investment activities
Majaal Warehouse Company W.L.L.	Kingdom of Bahrain	99.8%	99.8%	Real estate and investment activities

The Parent Company owns directly and indirectly 100% of its subsidiaries in accordance to share sale agreements.

The Parent Company indirectly owns Seef Hospitality Investment Company S.P.C in the Kingdom of Bahrain, which is a 100% subsidiary of First Kuwait Al Seef Real Estate Development Company W.L.L.

The total number of employees in the Group was 18 employees as at 31 December 2019 (31 December 2018: 16 employees).

The consolidated financial statements for the year ended 31 December 2019 were authorised for issuance by the Board of Directors 9 March 2020 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting.

The consolidated financial statements for the year ended 31 December 2018 were authorised for issuance by the Board of Directors on 11 March 2019 and approved by the shareholders in their Annual General Assembly on 13 June 2019.

The shareholders in the Annual General Assembly meeting held on 13 June 2019 decided not to distribute dividends or remuneration for the Parent Company's Board of Directors for the year ended 31 December 2018.

On 9 March 2020 the Board of Directors proposed not to distribute remuneration for the Parent Company's Board of Directors for the year ended 31 December 2019, subject to the approval of the shareholders' general assembly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation
(i) Compliance with IFRS
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the parent company's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(ii) Historical cost convention
The consolidated financial statements have been prepared on a historical cost basis, as modified for the revaluation of "investment properties".

2.1.1 Changes in accounting policies and disclosures
(a) New and amended standards adopted by the Group
The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:
- IFRS 16, Leases;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9, Financial instruments;
- Annual improvements 2015-2017.

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively using the simplified approach permitted by the standard, but recognised the cumulative effect of initially applying the new standard on 1 January 2019 (if any). This is disclosed in note 3. The other amendments listed above did not have any impact on the amounts recognised in prior periods and do not significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted by:
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Consolidation
2.2.1 Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Parent Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified the consolidated statement of comprehensive income.

2.2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the following items over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in consolidated statement of comprehensive income.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified by the Parent Company's Board of Directors.

Notes to the consolidated financial statements

For the year ended 31 December 2019

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured in Bahraini Dinars (BD), which is the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the Parent Company's presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are recognised in the consolidated statement of comprehensive income.

(c) Foreign operations

The results and financial position of all foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

2.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

After 1 January 2019, all leases that meet the definition of investment property are classified as investment property and measured at fair value.

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

Valuations are performed as of the reporting date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated statement of financial position. Management applies judgments in deriving investment properties' fair value.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

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

Changes in fair values are recognised in the consolidated statement of comprehensive income under 'change in fair value of investment properties'. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognised in the consolidated statement of comprehensive income. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income.

2.6 Developing properties

Developing properties are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for Developing properties less all estimated costs of completion and costs necessary to make the sale.

2.7 Furniture and equipment

Furniture and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses, if any.

Cost of an item of furniture and equipment includes its purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing furniture and equipment at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of furniture and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost less residual values over their estimated useful lives, as follows:

Furniture and office equipment	5 years
Computers and electronics	3 years
Leasehold improvement	3 years
Fixtures	3-10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at least at each financial year-end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are recognised in the consolidated statement of comprehensive income.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are computed at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the consolidated
financial statements

For the year ended 31 December 2019

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The Group's financial assets carried at amortised cost are as follows:

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Group holds the trade and other receivables with the objective to collect the contractual cash flows.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances held at call with financial institutions and wekala deposits with original maturities of less than three months.

(c) Wekala deposits

Wekala deposits are held with reputable financial institutions with original maturity of more than three months which are subject to an insignificant risk of change in value.

2.9.2 Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the consolidated statement of comprehensive income. Financial assets at amortised cost comprise of "trade and other receivables", "wekala deposits", and "cash and cash equivalents".

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade and other receivables are recognised initially at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

2.9.4 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While bank balances, escrow account, and wekala deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.10 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The Group classifies its financial liabilities as "trade and other payables", "Islamic finance payables", and "lease liabilities".

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

(a) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

(b) Islamic finance payables

Islamic finance payables are initially recognised at fair value, net of transaction costs incurred. Islamic finance payables are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of comprehensive income over the period of the Islamic finance payables using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Islamic finance payables are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income.

Islamic finance payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.11 Employees' end of service benefits

The Group is liable under Labor Laws' in respective countries, to make payments to the employees for post-employment benefits through defined benefits plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and is computed as the amount payable as a result of involuntary termination of the Group's employees on the reporting date. The Group expects this method to produce a reliable approximation of the present value of this obligation.

With respect to its national employees, the Parent Company makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.13 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.14 Revenue recognition

Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Sale of developed units

Revenue on sale of developed units is recognised when control over the unit has been transferred to the customer, which is considered to be at a point in time, when the customer has taken possession of the unit along with compliance with all local regulatory requirements governing the real estate sale contracts.

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties are handed over to customers upon full payment of the purchase price. Notice to customers to make final payment does not arise until connection of government services to the completed properties, including electricity and water. Legal title will not be transferred to customers until the relevant government authorities in Bahrain release title deeds upon completion the construction of the entire project. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when government services are connected to the completed properties. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from services is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2.15 Finance costs

General and specific finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific Islamic finance payable pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalisation. All other finance costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.16 Leases
The Group has changed its accounting policy for leases where the Group is the lessor or lessee. The new policy is described in (note 3.2) and the impact of the change in (note 3.1).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in the consolidated statement of comprehensive income on a straightline basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.17 Dividends distribution
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 CHANGES IN ACCOUNTING POLICIES
This note explains the impact of adoption IFRS 16 Leases on the Group's consolidated financial statements.

3.1 Impact on the consolidated financial statements
The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019 (if any).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7%.

On adoption of IFRS 16 in relation to leases previously classified as "operating leases" under the principles of IAS 17 Leases, the Group did not require to make any adjustments on transition of such leases previously accounted for as investment properties using the fair value model under IAS 40 "Investment Properties". There were no lease liabilities which arose from intial application of IFRS 16 as the lease payments were prepaid in full with no future cash outflow commitments on the Group.

Practical expedients applied
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation for determining whether an arrangement contains a lease.

Measurement of lease liabilities

Operating lease commitments disclosed as at 31 December 2018	54,210
Discounted using the lessee's incremental borrowing rate at the date of initial application	7%
Lease liability recognised as at 1 January 2019	**50,678**
Of which are	
Current lease liabilities	34,778
Non-current lease liabilities	15,900
	50,678

The total cash outflow for leases including interest during the year ended 31 December 2019 was KD 39,509.

Measurement of right-of-use assets
The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

Adjustments recognised in the consolidated statement of financial position on 1 January 2019:

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:
- Furniture and equipment - right-of-use assets – increase by KD 50,678
- Trade and other payables - lease liabilities – increase by KD 50,678

3.2 IFRS 16 "Leases" – Accounting policies
The Group leases its offices and vehicles from different lessors. Rental contract is made for a fixed period of 1 to 3 years but may have extension options. Lease term are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, lease of head office buildings and vehicles were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset›s useful life and the lease term on a straight-line basis.

4. FINANCIAL RISK MANAGEMENT
4.1 Financial risk factors
The Group's activities may expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's finance department as approved by Board of Directors.

(a) Market risk
(i) Foreign currency risk
The Group is exposed to foreign currency risk arising from various currency exposures. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

Positions are monitored on a regular basis to ensure positions are maintained within established limits. The Group manages its foreign currency risk by regularly assessing current and expected foreign currency rate movements and Group's foreign currency monetary assets and liabilities.

The Group's net exposure denominated in foreign currencies is not significant.

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rate will affect future profitability or the fair values of financial instruments. The Group's interest rate risk is not signinficant as Wekala deposits and Islamic finance payables carry fixed rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on its consolidated statement of comprehensive income and equity of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Positions are monitored regularly to ensure positions are maintained within established limits. The Group does not have any off balance sheet financial instruments or derivatives which are used to manage the interest rate risk.

(b) Credit risk
Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk.

Credit risk arises from bank balances held at banks, wekala deposits and trade and other receivables.

Credit risk is managed on a group basis. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to a quarterly or more frequent review.

The Group has policies in place to ensure rental contracts are entered into only with counterparties with an appropriate credit history, and monitors the credit quality of receivables on an ongoing basis. Cash balances are held only with financial institutions with a good credit rating. The Group has policies that limit the amount of credit exposure to any financial institution.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

As at 31 December

	2019 KD	2018 KD
Trade and other receivables, excluding prepaid expenses (note 8)	454,513	779,046
Wekala deposits (note 9)	900,896	521,623
Cash and cash equivalents, excluding cash on hand (note 10)	761,533	978,313
	2,116,942	2,278,982

Notes to the consolidated financial statements

For the year ended 31 December 2019

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of tenants over a period of 36 months before 31 December 2019 or 31 December 2018, respectively, and the corresponding historical credit losses experienced within this period. On that basis, the impairment provision as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

	Rental income receivables				
31 December 2019	**0-30 days**	**31-60 days**	**61-90 days**	**91 days above**	**Total**
Expected loss rate*	5.24%	10.67%	27.63%	32.30%	
Gross carrying amount – Trade receivables	62,046	4,811	15,757	154,297	236,911
Life time expected credit loss allowance	3,251	513	4,354	49,834	57,952

	Rental income receivables				
31 December 2018	0-30 days	31-60 days	61-90 days	91 days above	Total
Expected loss rate*	3.73%	0%	26.14%	38.45%	
Gross carrying amount – Trade receivables	42,863	-	9,927	131,692	184,482
Life time expected credit loss allowance	1,597	-	2,595	50,632	54,819

* The above expected loss rates are the average rates for the whole subsidiaries of the Group.

The closing impairment provision for trade receivables as at 31 December 2019 reconcile to the opening impairment provision as follows:

Trade receivables

	2019 KD	2018 KD
Opening loss allowance as at 1 January	54,819	54,062
Increase in loss allowance during the year	3,133	757
At 31 December	57,952	54,819

(c) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the Group could be required to pay its liabilities earlier than expected.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of Islamic finance payables. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn Islamic finance facilities) and bank balances and cash on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring consolidated statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The maturity profile is monitored by the Group's management to ensure adequate liquidity is maintained. A summary table with maturity of financial liabilities is presented below. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

The maturity analysis of financial instruments at 31 December is as follows:

	Contractual cash flows					
	Less than one year KD	**From 1 to 2 years KD**	**From 2 to 3 years KD**	**More than three years KD**	**Total KD**	**Carrying amount**
31 December 2019						
Liabilities						
Islamic finance payables	271,414	759,775	765,889	5,042,100	6,839,178	6,587,116
Trade and other payables	402,547	-	-	-	402,547	402,547
Total liabilities	673,961	763,806	765,889	5,042,100	7,241,725	6,989,663

	Contractual cash flows					
	Less than one year KD	From 1 to 2 years KD	From 2 to 3 years KD	More than three years KD	Total KD	Carrying amount
31 December 2018						
Liabilities						
Islamic finance payables	1,314,943	1,452,089	1,735,481	2,993,283	7,495,796	6,930,754
Trade and other payables	362,974	147,877	-	-	510,851	510,851
Total liabilities	1,677,917	1,599,966	1,735,481	2,993,283	8,006,647	7,441,605

4.2 Financial instruments

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, increase capital or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Group as Islamic finance payables less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

As at 31 December

	2019 KD	**2018 KD**
Islamic finance payables	6,587,116	6,930,754
Lease liabilities	15,900	-
Less: cash and cash equivalents	(762,114)	(978,755)
Net debt	5,840,902	5,430,376
Total equity	23,173,322	22,780,976
Total capital	29,014,224	28,211,352
Gearing ratio	20%	19%

Notes to the consolidated financial statements

For the year ended 31 December 2019

4.3 Fair value estimation

(a) Assets carried at amortised cost

The fair value of the financial assets measured at amortised cost approximate their carrying amounts as at the reporting date.

(b) Investment properties

Refer to note 6.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Valuations of investment properties

The determination at the fair value of investment property requires the use of estimates. These estimates are based on local market conditions existing at the reporting date.

In arriving at their estimates of market values as at 31 December 2019, the valuation consultants have applied their market knowledge and professional judgment to use an income approach and sales comparable approach to measure the value of the property. Therefore, in arriving at their estimates of market values for the undeveloped raw lands as at 31 December 2019, the valuers have not only relied solely on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property. Income approach is used to measure the value of the property through a discounted cash flow (DCF) analysis of the net operating income, presuming that the capital investment for the land and buildings is recovered in full over the period of the ground lease. Management applies judgments in deriving investment properties' fair value.

(b) Valuations of development properties

Developing properties are held at lower of cost and net realisable value. When developing properties become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the asset type and the degree of ageing or obsolescence, based on historical selling prices.

(c) Classification of real estate properties

Upon acquisition of a real estate property, the Group classifies it into either of the following classifications based on the purpose for which the management will be using it:

(i) Investment properties

The management classifies real estate property as an investment property if it is used to generate rental income, for capital appreciation, or for undetermined future use.

(ii) Developing properties

The management classifies real estate property as a developing properties if it is acquired with the intention of development.

(d) Developing properties

The Group develops and sells residential properties. Management has determined that revenue is recognised when control over the property has been transferred to the customer. Therefore, revenue is recognised at a point in time. Management considers that control passes when the customer has taken possession of the unit along with compliance with all local regulatory requirements governing the real estate sale contracts.

6 INVESTMENT PROPERTIES

As at 31 December

	2019 KD	2018 KD
Balance at the beginning of the year	24,622,100	30,236,935
Additions during the year	573,533	29,710
Change in fair value	501,600	(5,514,460)
Foreign currency translation differences	(22,885)	(130,085)
Balance at the end of the year	25,674,348	24,622,100

Investment properties are classified as follows:

As at 31 December

	2019 KD	2018 KD
Investment properties right-of-use assets	10,664,366	10,471,768
Investment properties	15,009,982	14,150,332
Balance at the end of the year	25,674,348	24,622,100

Investment properties represent land, industrial, and commercial properties acquired or constructed through the Group's subsidiaries in the Kingdom of Bahrain.

Land
Land represents two plots (31 December 2018: four plots) with a combined area of approximately 4,725 square meters (31 December 2018: 15,312 square meters) owned by First Kuwait Al Seef Real Estate Development Company W.L.L. (a subsidiary) with a carrying value amounted to KD 3,102,079 as at 31 December 2019 (31 December 2018: KD 10,012,363), located at Seef Area in the Kingdom of Bahrain. The two plots are currently held for undetermined future use.

During the year, two plots with a combined area of 10,587 square meters with a value of KD 6,881,756 were transferred to commercial properties as active projects, approved by the board of directors, had commenced on both sites.

Industrial properties
The properties consist of seven industrial buildings owned by Majaal Warehouse Company W.L.L. (a subsidiary) with a carrying value amounted to KD 10,664,366 as at 31 December 2019 (31 December 2018: KD 10,471,769), built across six industrial-zoned plots located at Bahrain Investment Wharf in the Kingdom of Bahrain and held on a leasehold basis through 21 May 2056 with an option to renew for an additional 25 years.

Notes to the consolidated financial statements

For the year ended 31 December 2019

Commercial properties
The properties consist of buildings held for rental income and capital appreciation along with buildings being constructed for this same purpose which are held by two subsidiaries.

The first property is the El Mercado Mall built on an 8,052 square meter plot owned by FB Janabiya Residential Development Company W.L.L. (a subsidiary) with a carrying value amounted to KD 3,924,505 as at 31 December 2019 (31 December 2018: KD 4,137,968).

The second and third properties are held by First Kuwait Al Seef Real Estate Development Company W.L.L. (a subsidiary) and include the El Balcón Mall, under construction on a plot of 7,235 square meters adjacent to a 3,352 square meter plot which is being built-to-suit for Jarir Bookstore. There were KD 506,045 in additions during the year which are added to the value of the land at cost during the period of construction. The value was KD 7,983,398 at 31 December 2019 (31 December 2018: KD 6,881,756).

Investment properties amounting to KD 22,572,269 (31 December 2018: KD 14,609,737) are pledged as securities against Islamic finance payable (note 14).

(i) Amounts recognised in the consolidated statement of comprehensive income for investment properties

For the year ended 31 December

	2019 KD	2018 KD
Change in fair value of Investment properties	501,600	(5,514,460)
Net rental income	1,276,953	1,154,610

(ii) Measuring investment properties at fair value
Investment properties are held for long-term rental yields and are not occupied by the Group, except for the land that is currently held for undetermined future use. The Group has not concluded as to whether the land plots will be held-for-capital appreciation or for development to earn rental income in the future. Investment properties are carried at fair value. Changes in fair values are presented in the consolidated statement of comprehensive income.

(iii) Fair value hierarchy
The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment properties annually.

The fair value of the land, as measured by the independent valuers, is recognised as a separate asset held-for-capital appreciation or for development to earn rental income in the future.

The fair value of industrial and commercial properties, as measured by the independent valuers, is recognised as a separate asset to account for deferred rental income which is recognised due to the straight-line treatment of operating lease income less the costs of any free periods or incentives offered to secure new tenants, spread across the entire lease term.

Accordingly, the total fair value of the properties as measured by the independent valuers equals the investment property asset and deferred rental income.

The fair values of the Group's investment properties are categorised into Level 2 and level 3 of the fair value hierarchy. During the year, two plots of land (level 2) with a value of KD 6,881,756 were transferred to commercial properties (level 3).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

The Group started the development of two plots with during the year. Before development, the valuation technique used sales comparable approach such that the fair value measurement was classified as Level 2. On start of the development, this property is now valued using the income approach, which uses significant unobservable inputs. The fair value measurement has therefore been reclassified to Level 3.

(iv) Valuation techniques used to determine level 2 and level 3 fair values
The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the Group updates its assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. Management applies judgments in deriving investment properties' fair value.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Group consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for industrial and commercial properties are included in level 3 and the land held for undetermined future use is under level 2. The level 2 fair value of land held for undetermined future use has been derived using the sales comparison approach. The key inputs under this approach are the price per square meters from current year asking prices of comparable lots of land in the same area (location and size).

(v) Fair value measurements using significant unobservable inputs (level 3)
The following table presents the changes in level 3 items for the years ended 31 December 2019 and 2018 for recurring fair value measurements:

For the year ended 31 December	2019 KD	2018 KD
At the beginning of the year	14,609,737	16,094,594
Transfer from land (level 2)	6,881,756	-
Change in fair value	527,378	(1,423,961)
Additions	573,533	-
Foreign currency translation differences	(20,135)	(60,896)
At the end of the year	22,572,269	14,609,737

(vi) Valuation inputs and relationships to fair value
The following table summarises the quantitative information about the significant inputs used in recurring level 2 and level 3 fair value measurements.

Description	Valuation technique	Fair value	Significant inputs	Interrelationship between key unobservable inputs and fair value measurement
Land	Sales comparable approach	Level 2	Price per square feet	For every change of KD 1 per square feet, the investment properties value would be impacted by KD 132,150.
Industrial properties	Income approach: the valuation model considers the present value of net operating income to be generated from the property, taking into account expected rental growth rate, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net operating income is discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	Level 3	• Expected annual market rental growth rate (2%-2.5%, weighted average 2.25%). • Occupancy rate (90%—95%, weighted average 92.6%) • Rent-free periods (2 months period on new leases) • Risk-adjusted discount rates (weighted average 10%). • Property yield rate 10%-10.5%	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower), • the occupancy rate was higher (lower); • Rent-free period was shorter (longer); or • the risk-adjusted discount rate was higher (lower). • Property yield rate was higher (lower).
Commercial properties	Income approach: the valuation model considers the present value of net operating income to be generated from the property, taking into account expected rental growth rate, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net operating income is discounted using risk-adjusted discount rates among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	Level 3	• Expected market rental growth (2— 3%, weighted average 2.6%). • Occupancy rate (90-95%, weighted average 92.5%). • Rent-free periods (3 months period on new leases). • Risk-adjusted discount rates (5—6.3%, weighted average 5.8 %). • Property yield 9%	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • the occupancy rate were higher (lower); • rent-free periods were shorter (longer); or • the risk-adjusted discount rate were higher / (lower). • Property yield rate was higher (lower).

7 DEVELOPING PROPERTIES

Developing properties represent residential properties owned by FB Janabiya Residential Development Company W.L.L. (FBJ) (a subsidiary). The properties consist of a 14,240 square meter master plot, which the subsidiary subdivided into 42 plots on which it built 42 villas, branded as the El Mercado Village. As of 31 December 2019, 22 villas were sold (31 December 2018: 15).

For the year ended 31 December

	2019 KD	2018 KD
Balance at the beginning of the year	3,454,750	4,984,327
Additions during the year	-	1,037,140
Cost of units sold	(870,781)	(2,401,263)
Impairment of developing properties	-	(148,212)
Foreign currency translation differences	(4,571)	(17,242)
Balance at the end of the year	2,579,398	3,454,750

No developing properties were pledged as securities against Islamic finance payable as at 31 December 2019 (31 December 2018: KD 3,454,750).

8 TRADE AND OTHER RECEIVABLES

As at 31 December

	2019 KD	2018 KD
Accrued rental income	236,911	184,482
Less: write offs during the year	(34,826)	(37,954)
Less: impairment loss	(57,952)	(54,819)
	144,133	91,709
Deferred rental receivables	147,835	177,454
Receivables from sale of developing properties	162,545	509,883
Prepaid expenses	51,934	67,109
	506,447	846,155

Movements in the loss allowance of accrued rental income provided for amounted to KD 3,133 (2018 : KD 757).

9 WEKALA DEPOSITS

As at 31 December

	2019 KD	2018 KD
Short term Wekala deposits	900,896	521,623

Wekala deposits are placed with Islamic banks in the State of Kuwait and Kingdom of Bahrain. Wekala deposits carry effective average annual profit rate of 2.62% (2018: 3%). Wekala deposits have original maturity of more than 3 months.

Notes to the consolidated financial statements

For the year ended 31 December 2019

10 CASH AND CASH EQUIVALENTS

As at 31 December

	2019 KD	2018 KD
Cash on hand	581	442
Bank balances	727,238	536,898
Wekala deposits	-	120,375
Escrow account - FBJ	34,295	321,040
	762,114	978,755

There were no short term Wekala deposits at 31 December 2019. Annual profit rate on short term Wekala deposits at 31 December 2018 was 3%.

The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include escrow account amounted to KD 34,295 (31 December 2018: KD 321,040) which is held by a subsidiary.

11 SHARE CAPITAL

The authorised, issued and paid share capital as at 31 December 2019 is KD 21,225,191 (2018: KD 23,330,960) consisting of 212,251,910 (2018: 233,309,600 shares) shares of 100 fils each.

On 13 June 2019, the shareholders Extra-Ordinary General Assembly approved offsetting the Group's accumulated losses as at 31 December 2018 amounting to KD 3,726,912 against statutory reserve and share capital by KD 1,621,143 and KD 2,105,769 respectively. The offset was approved by the legal authorities and the commercial register of the Parent Company was updated accordingly on 29 July 2019.

12 STATUTORY RESERVE

As required by the Companies Law no. 1 of 2016, its executive regulations and the Parent Company's articles of association, 10% of the profit for the year before provisions for contribution to KFAS and Zakat is to be transferred to statutory reserve after recovering accumulated losses. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of paid up share capital.

Only that part of the reserve in excess of 50% of paid up share capital is freely distributable. Distribution of the balance of the reserve is limited to the amount required to enable the distribution to shareholders of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the distributions to shareholders of that amount.

During the year, KD 42,271 has been transferred to statutory reserve (2018: KD Nil due to accumulated losses).

Refer to note 11 for offsetting the Group's accumulated losses against statutory reserve and share capital.

13 FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve is recognised in other comprehensive income when the results and financial position of all foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
iii. All resulting exchange differences are recognised in other comprehensive income.

14 ISLAMIC FINANCE PAYABLES

Islamic finance payables represent various structures arranged through Islamic banks in the Kingdom of Bahrain. The combined average cost of the financing is 7 % (2018: 6.10%).

Islamic finance payables are secured over investment properties with a carrying amount of KD 22,572,269 (31 December 2018: over investment properties and developing properties KD 18,064,487) (note 6 & 7).

For the year ended	2019 KD	2018 KD
Opening balance	6,930,754	7,069,457
Proceeds during the year	6,587,116	805,001
Repayments	(6,925,379)	(893,860)
Foreign currency translation differences	(5,375)	(49,844)
	6,587,116	6,930,754
Islamic finance payables classified as follows:		
Long-term Islamic finance payables	6,315,702	5,615,811
Short-term Islamic finance payables	271,414	1,314,943
	6,587,116	6,930,754

The carrying value of Islamic finance payables (current and non-current) approximates their fair value.

15 TRADE AND OTHER PAYABLES

As at 31 December	2019 KD	2018 KD
Trade payables	108,730	230,792
Advance payments from tenants	197,161	233,093
Short term retention payable	147,877	147,877
Accrued expenses	75,853	132,182
Staff payables	61,892	-
Due to KFAS and Zakat	8,195	-
	599,708	743,944
Trade and other payables classified as follows:		
Long-term trade and other payables	-	147,877
Short-term trade and other payables	599,708	596,067
	599,708	743,944

The carrying value of trade and other payables (current and non-current) approximates their fair value.

Notes to the consolidated financial statements

For the year ended 31 December 2019

16 NET RENTAL INCOME

Rental income is generated from properties developed by wholly owned subsidiaries Majaal Warehouse Company W.L.L. (MWC) and FB Janabiya Residential Development Company W.L.L. (FBJ). MWC operates seven industrial buildings occupied by a diverse mix of small to medium sized enterprises. FBJ operates a neighbourhood retail centre, branded as El Mercado Janabiya. All rental properties are located within the Kingdom of Bahrain.

For the year ended 31 December	2019 KD	2018 KD
(a) Industrial Properties		
Occupancy rate	94%	95%
Total leasable area (square meters)	37,654	37,654
Gross rental income	1,157,424	1,119,513
Cost of revenue	(203,084)	(196,498)
Net industrial rental income	954,340	923,015
(b) Commercial Properties		
Occupancy rate	97%	89%
Total leasable area (square meters)	4,683	4,683
Gross rental income	412,629	342,104
Cost of revenue	(90,016)	(110,509)
Net commercial rental income	322,613	231,595
Total net rental income	1,276,953	1,154,610

17 REVENUE FROM CONTRACTS WITH CUSTOMERS

The breakdown of revenue is as follows:

For the year ended 31 December	2019 KD	2018 KD
Analysis of revenue by category		
Revenue from sale of developing properties	973,491	2,605,738

18 GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December

	2019 KD	2018 KD
Staff cost	494,498	399,399
Professional fees	143,054	129,488
Depreciation	75,575	30,214
Occupancy expenses	11,107	44,610
Other expenses	62,732	38,712
	786,966	642,423

19 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders that have representation in the Parent Company's Board of Directors and their close relatives, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by Parent Company's management and at an arm's length term.

The related parties' transactions included in the consolidated statement of comprehensive income are as follows:

For the year ended 31 December

Significant transactions included in the consolidated statement of comprehensive income	2019 KD	2018 KD
Key management compensation		
Salaries and other short-term benefits	229,985	166,244
End of service benefits	11,105	12,100
	241,090	178,344

20 SEGMENTS INFORMATION

The Board of Directors is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Group is divided into divisions to manage its various activities. For the purposes of segment reporting, the Group's management has classified the Group's services into the following:

- Real estate operations: consisting of trading, developing, leasing and managing real estate and rental of investment properties.
- Non-real estate operations: consisting of investment in various Islamic financial instruments, mainly unquoted funds and wekala.

There are no inter-segment transactions. The following tables present assets, liabilities, income, and expenses information regarding the Group's operating segments for the years ended 31 December 2019 and 31 December 2018 respectively.

	Real estate activities KD	Non-real estate activities KD	Total KD
31 December 2019			
Allocated income	2,754,426	9,539	2,763,965
Allocated expenses	((2,349,454)	-	(2,349,454)
Segment results	404,972	9,539	414,511
Assets	29,590,052	900,896	30,490,948
Liabilities	7,317,626	-	7,317,626
Capital expenditure	626,941	-	626,941

	Real estate activities KD	Non-real estate activities KD	Total KD
31 December 2018			
Allocated income	(1,907,977)	7,320	(1,900,657)
Allocated expenses	(3,436,022)	-	(3,436,022)
Segment results	(5,343,999)	7,320	(5,336,679)
Assets	29,912,395	641,997	30,554,392
Liabilities	7,773,416	-	7,773,416
Capital expenditure	1,051,871	-	1,051,871

21 POST BALANCE SHEET SIGNIFICANT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event.

World Health Organisation characterised Covid-19 as a pandemic on 11 March 2020, thus negatively impacting global markets, disrupting supply chains, and changing social behaviours. Currently it is uncertain if Covid-19 will continue to disrupt global markets and what impact it will have on the Group's operation. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

However, subsequent to year-end the Group has experienced certain delays in collecting rentals from tenants whose operations were impacted by Covid-19 outbreak. The Group's management is in the process of assessing the impact on the Group's consolidated financial statements which will be taken into account in 30 June 2020 or 31 December 2020 consolidated financial statements.