ESKAN BANK REALTY
INCOME TRUST

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

Information about the Trust

Board of Directors of the Trust	Mr. Wajdi Al Jallad – Chairman Mr. Muhammad Saeed Butt – Deputy Chairman Mr. Nandakumar Narasimhan
Registered office	24th Floor NBB Tower PO Box 11718 Government Avenue Manama Kingdom of Bahrain
Principal banker	Bahrain Islamic Bank B.S.C.
Trustee & custodian	Keypoint Trust B.S.C. (c)
Investment manager	Eskan Bank B.S.C. (c)
Market Maker	SICO B.S.C. (c)
Registrar	Bahrain Clear B.S.C. (c)
Property manager	Savills Middle East Co. W.L.L..
Administrator	SICO Fund Services B. S. C. (c)
Paying agent	Bahrain Clear B.S.C. (c)
Property appraiser	House Me Broker WLL
External auditor	KPMG Fakhro Salman Manjlai, *Partner* P.O. Box 710, Manama, Kingdom of Bahrain
Shari'a Board	Dr. Sheikh Nezam Yacouby (Chairperson) Dr. Sheikh Abdulaziz Khalifa AlQassar (Vice Chairperson) Sheikh Abdulnasser Al-Mahmood (Member)

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DIRECTORS' REPORT
For the year ended 31 December 2023

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of Eskan Bank Realty Income Trust (the "Trust" or "EBRIT") and its subsidiaries (together "the Group") for the year ended 31 December 2023.

Principal activities

The Trust is a closed ended Real Estate Investment Trust ("REIT") and its primary objective is to maximize stable Shari'a compliant income generation for the unitholders with a long term approach and risk adjusted manner. The Trust invests primarily in income generating properties in the Kingdom of Bahrain.

Results and financial position

The consolidated statement of financial position of the Group as at 31 December 2023 and results for the year ended 31 December 2023 are set out in the accompanying consolidated financial statements.

Dividends

The Board of Directors on 26 March 2023 declared a distribution at 4.25% of the unit's capital of the Trust for the year ended 31 December 2022, after obtaining CBB approval (note 11).

Board of Directors of the Trust

The following Directors served during the year ended 31 December 2023:

Mr. Wajdi Al Jallad - Chairman
Mr. Muhammad Saeed Butt – Deputy Chairman
Mr. Nandakumar Narasimhan

On behalf of the Directors:

Mr. Wajdi Al Jallad
Chairman

Mr. Muhammad Saeed Butt
Director

18 February 2024

بسم الله الرحمن الرحيم

<u>Shari'a Supervisory Board Report for the year ended 31 December 2023</u>

4th Sha'ban1445 BC coinciding 14 February 2024

Praise be to Allah, and May peace and blessing be upon Prophet Mohammed, his family and his companions

To the Unit holders of ESKAN Bank Reality Income Trust

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

In compliance with the letter of appointment, we are required to submit the following report:

During the year ended 31 December 2023, we have reviewed the principles and contracts relating to the transactions and applications conducted by ESKAN Bank Reality Income Trust (the “Trust”). We have also conducted our review to form an opinion as to whether the Trust has complied with Shari'a Rules and Principles and with specific Fatwas, rulings and guidelines issued by us.

We believe that ensuring the conformity of the Trust's activities with the provision of Islamic Shari'a is the sole responsibility of the Trust's Management, while the Shari'a Supervisory Board is only responsible for expressing an independent opinion based on our review of the operations of the Trust, and to report to you.

We have reviewed the internal Shari’a auditor report which contains the detail findings of auditing the Trust financial statements, transactions, activities, investments and pertinent documentation adopted by the Trust Manager. Our review was conducted to form an opinion as to whether the Trust Manager has complied with Shari’a rules and principles issued by us and also with the directives and guidelines issued by AAOIFI.

We planned and performed our review so as obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Trust has not violated Shari’a rules and Principles.

In our opinion:

Contracts, transactions and dealings related to the Trust entered into by the Trust Manager during year ended 31 December 2023 that we have reviewed complies with the Islamic Shari'a Rules and Principles.

Since distributions to the unit holders are their share according to the terms and conditions of the total collected rent, minus what is determined according to the terms and conditions of the Fund, Therefore the Zakat is on the holder of each unit according to his applicable Zakat period and Nisab.

We pray that Allah may grant all of us further success and prosperity.

Sh. Dr. Nezam Mohammed Saleh Yacouby

Chairman

Sh. Dr. Abdul Aziz Khalif a Al Qassar

Vice Chairman

Sh. Dr. Abdul Nasser Omar Al Mahmood

Executive Member

KPMG Fakhro
Audit
12th Floor, Fakhro Tower,
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Kingdom of Bahrain

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CR No. 6220 - 2

Independent auditors' report

To the Unitholders of

Eskan Bank Realty Income Trust
Manama
Kingdom of Bahrain

Opinion

We have audited the accompanying consolidated financial statements of Eskan Bank Realty Income Trust (the "Trust"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and consolidated results of its operations, changes in net assets attributable to unitholders and its cash flows for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Group's Shariah Supervisory Board during the year ended 31 December 2023.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Valuation of investment in real estate</th></tr>
<tr><td colspan="2">See Notes 3 (a) and 6 to the consolidated financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>We considered this as a key audit area we focused on because of:

▪ the significance of investment in real estate representing approximately 92% of total assets.
▪ the uncertainty prevalent in the property market; and
▪ application of valuation techniques which often involve the exercise of judgment and the use of assumptions and estimates.</td><td>Our procedures, amongst others, included:

▪ Involvement of our real estate valuation specialists, who by reference to their knowledge of the industry and available historical data:
➢ evaluated the appropriateness of the valuation methodology used by an independent property valuer appointed by the Group; and
➢ challenged the inputs and assumptions used in the valuation
▪ Comparing the carrying value of each property to the value in the valuation report
▪ Assessing the qualification and experience of the independent property valuers by reading the terms of their engagement letter to determine whether there were any matters that might have affected their objectivity or limited their scope of work and
▪ Evaluating the adequacy of the Group's disclosures related to valuation of investment in real estate by reference to the relevant accounting standards.</td></tr>
</table>

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report to the unitholders of
Eskan Bank Realty Income Trust (continued)

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Shariah Rules and Principles as determined by the Group's Shariah Supervisory Board.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFIs 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 ASIFIs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on Other Regulatory Requirements

As required by Volume 7 of the Rulebook issued by the Central Bank of Bahrain (CBB), we report that:

a) the Trust has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the directors' report is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 7, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures that would have had a material adverse effect on the business of the Trust or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Salman Manjlai

KPMG

KPMG Fakhro
Partner Registration No. 213
18 February 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023 **BD**

	Notes	**31 December 2023 (audited)**	31 December 2022 (audited)
Assets			
Non-current asset			
Investment in real estate	6	10,610,000	10,575,000
Total non-current assets		**10,610,000**	10,575,000
Current assets			
Cash and cash equivalents	8	890,402	918,708
Trade receivables	7	35,180	22,627
Prepaid expenses		23,912	16,032
Total current assets		**949,494**	957,367
Total assets		**11,559,494**	11,532,367
Liabilities			
Current liabilities			
Trade payables and other liabilities	9	255,149	248,816
Dividends payable		486	486
Due to related parties	10.1	5,250	5,250
Total liabilities		**260,885**	254,552
Net assets attributable to unitholders		**11,298,609**	11,277,815
Unit capital	12	19,800,000	19,800,000
Statutory reserve	13	1,000	1,000
Capital expenditure reserve	3 (i)	93,302	47,002
Accumulated losses		(8,595,693)	(8,570,187)
		11,298,609	11,277,815
Number of issued and outstanding units	12 & 20	**198,000,000**	198,000,000
Net asset value per unit	20	**0.0571**	0.0570

The consolidated financial statements were approved and authorized for issue by the Directors on 18 February 2024 and signed on their behalf by:

Mr. Wajdi Al Jallad
Chairman

Mr. Muhammad Saeed Butt
Director

The accompanying notes 1 to 22 form an integral part of this consolidated financial statements.

ESKAN BANK REALTY INCOME TRUST

CONSOLIDATED STATEMENT OF INCOME
for the year ended 31 December 2023 **BD**

	Notes	Year ended 31 December	
		2023 (audited)	2022 (audited)
Rental income	14	1,068,294	1,039,905
Service fee income	14	55,477	53,197
Property operating expenses	15	(397,991)	(402,614)
Property operating income, net		**725,780**	690,488
Other income	16	156,176	101,613
Investment management fee	10.1	(15,000)	(15,000)
Administration fee		(8,000)	(8,000)
Trustee and custodian fees	10.1	(20,000)	(20,000)
Other professional fees		(37,361)	(41,196)
Other expenses		(13,151)	(12,927)
Operating profit		**788,444**	694,978
Fair value unrealized gain/ (loss) on investment in real estate	6	35,000	(330,000)
Allowance for expected credit loss	7.1	-	(12,440)
Profit for the year		**823,444**	352,538
Earning per unit	21	**0.0042**	0.0018

The consolidated financial statements were approved and authorized for issue by the Directors on 18 February 2024 and signed on their behalf by

Mr. Wajdi Al Jallad
Chairman

Mr. Muhammad Saeed Butt
Director

The accompanying notes 1 to 22 form an integral part of this consolidated financial statements.

ESKAN BANK REALTY INCOME TRUST

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
for the year ended 31 December 2023 BD

31 December 2023 (audited)	**No. of units**	**Unit capital**	**Statutory reserve**	**Capital expenditure reserve**	**Accumulated losses**	**Total**
At 1 January 2023	198,000,000	19,800,000	1,000	47,002	(8,570,187)	11,277,815
Profit for the year					823,444	823,444
Transfer to capital expenditure reserve (Note 3 (i))	-	-	-	46,300	(46,300)	-
Dividend declared (note 11)	-	-	-	-	(802,650)	(802,650)
At 31 December 2023	**198,000,000**	**19,800,000**	**1,000**	**93,302**	**(8,595,693)**	**11,298,609**

31 December 2022 (audited)	No. of units	Unit capital	Statutory reserve	Capital expenditure reserve	Accumulated losses	Total
At 1 January 2022	198,000,000	19,800,000	1,000	45,001	(8,354,148)	11,491,853
Profit for the year	-	-	-	-	352,538	352,538
Transfer to capital expenditure reserve (Note 3 (i))	-	-	-	2,001	(2,001)	-
Dividend declared (note 11)	-	-	-	-	(566,576)	(566,576)
At 31 December 2022	198,000,000	19,800,000	1,000	47,002	(8,570,187)	11,277,815

The accompanying notes 1 to 22 form an integral part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2023 **BD**

	Notes	Year ended 31 December 2023 (audited)	Year ended 31 December 2022 (audited)
Operating activities			
Profit for the year		823,444	352,538
Adjustment for:			
Fair value unrealized (gain) / loss on investment in real estate	6	(35,000)	330,000
Allowance for expected credit loss	7.1	-	12,440
Operating cash flows before changes in working capital		**788,444**	694,978
Changes in working capital:			
(Increase) / decrease in trade receivables		(12,553)	43,703
Increase in prepaid expenses		(7,880)	(8,507)
Increase in trade payables and other liabilities		6,333	14,482
Decrease in due to related parties		-	(2,500)
Net cash generated from operating activities		**774,344**	742,156
Financing activity			
Dividends paid		(802,650)	(566,576)
Net cash used in a financing activity		**(802,650)**	(566,576)
Net (decrease) / increase in cash and cash equivalents		**(28,306)**	175,580
Cash and cash equivalents at the beginning of the year		918,708	743,128
Cash and cash equivalents at the end of the year	8	**890,402**	918,708

The accompanying notes 1 to 22 form an integral part of this consolidated financial statements.

1 GENERAL INFORMATION

Eskan Bank Realty Income Trust (the "Trust" or "EBRIT"), was created through a trust instrument entered into between Bahrain Property Musharaka Trust ("BPMT") as the Settlor and the Trustee on 3 November 2016 and was registered as a trust under the Financial Trust Law of Kingdom of Bahrain (law No. 23 of the year 2006 and as replaced by law No. 23 of 2016) with the Central Bank of Bahrain (the "CBB") under registration number FT/11/002/16 on 8 November 2016.

EBRIT is established as a closed-ended Shari'a compliant Bahrain Real Estate Investment Trust with a 100-year duration and has been authorized by the CBB to be constituted as a Bahrain domiciled retail Collective Investment Undertaking in derogation from Rule BRT-1.1.2 of Volume 7 of the CBB Rulebook.

At the inception of the Trust, the Trust had issued 198,000,000 units at a price of BD 0.100 per unit and a Net Asset Value of BD 0.101 per unit to the pre–Initial Public Offer unitholder Bahrain Property Musharaka Trust ("BPMT"). In consideration for the same, BPMT transferred the ownership of the Inaugural Trust Property to the Trust (refer to note 2.5).

BPMT made an initial public offering of 144,394,499 units of EBRIT at an offer price of BD 0.100 to individuals and institutions in the Kingdom of Bahrain via a prospectus dated 15 November 2016. The initial public offering opened on 22 November 2016 and closed on 6 December 2016. The allotment of the units to the participants of the Initial Public Offering was made on 14 December 2016 and the units of EBRIT were listed on the Bahrain Bourse and commenced trading from 2 January 2017.

The primary objective of achieving an attractive level of return from rental income and long-term capital growth and to maximize stable income generation for the unitholders with a long-term approach and in a risk-adjusted manner.

EBRIT is overseen by Keypoint Trust B.S.C.(c) as the Trustee Custodian. Eskan Bank B.S.C (c) ("Eskan"), a bank incorporated in the Kingdom of Bahrain, has been appointed as the Investment Manager of EBRIT. SICO Fund Service B.S.C. (c) has been appointed as the Administrator of EBRIT.

EBRIT does not currently have any direct employees, however, it uses the services of a Trustee, Investment Manager, a Property Manager, a Property Appraiser, an Administrator and a Custodian for the management, administration and custody functions.

These consolidated financial statements of Trust and its subsidiaries (together referred as the "Group") have been authorised for issue in accordance with a resolution of the Board of Directors of the Trust dated 18 February 2024.

2 BASIS OF PREPERATION

2.1 Statement of Compliance

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), the Shari'a Rules and Principals as determined by the Shari'a Board of the Trust, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 7 and applicable provisions of Volume 6 and CBB directives), the Bahrain Bourse rules and procedures. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses guidance from relevant International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

2.2 Basis of measurement

The consolidated financial statements are prepared on the historical cost convention except for investment in real estate which are measured at fair value.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Bahraini Dinars ("BD") which is considered to be the Group's functional and operational currency.

2.4 Basis of consolidation

(i) Subsidiaries:
The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at 31 December 2023.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power directly or indirectly to govern the financial and operating policies of an entity with the objective of obtaining benefits from its operations.

The reporting period of the Trust's subsidiaries are identical, and their accounting policies conform to those used by the Trust for like transactions and events in similar circumstances. Adjustments are made in the consolidated financial statements where appropriate to ensure the accounting policies of the subsidiaries are consistent with the policies adopted by the Group.

The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of operations from the date of acquisition or up to the date of disposal, as appropriate.

The following are the principal subsidiaries of the Group that are consolidated:

a) **Segaya Plaza Company BSC (c):** The subsidiary was incorporated in Bahrain under the law of Bahrain with commercial registration number 96206 owning certain real estate property named Segaya Plaza and was established on 29 December 2015. The Trust owns 100% of the company, 99% through the Trustee and 1% through the Trust's subsidiary Danaat Al Madina Company BSC (c). The property is situated on the northern edge of Segaya and south of Salmaniya Hospital. The total land area of the property is approximately 5,469 square meters and has a leasable area of 15,898 square meters consisting of 15 retail units and 105 furnished residential apartments. The principal activity of the company is to hold properties and to engage in real estate activities on behalf of the Trust.

b) **Danaat Al Madina Company BSC (c):** The subsidiary was incorporated in Bahrain under the law of Bahrain with commercial registration number 96210 owning certain real estate asset property named Danaat Al Madina and was established on 29 December 2015. The Trust owns 100% of the company, 99% through the Trustee and 1% through the Trust's subsidiary Segaya Plaza Company BSC (c). Danaat Al Madina is located in Isa Town. It is a mixed-use property consisting of approximately 10,575 square meters of leasable area. The property consists of 44 retail units and 2 office towers named Durra 1 and Durra 2. The total land area of the property is approximately 29,014 square meters. There are certain freehold apartments situated on the floors above the retail units which do not form part of the Trust property. The principal activity of the company is to hold properties and to engage in real estate activities on behalf of the Trust.

The ownership of both the properties listed above, were transferred to the Trust on 10 November 2016 ("Trust Properties"). However, as per the prospectus of Trust any profit and losses pertaining to the Trust Properties shall accrue to the benefit of the Unitholders from 1 January 2017.

2 BASIS OF PREPERATION (CONTINUED)

(ii) Transactions eliminated on consolidation:

All intra-group balances, transactions, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

(iii) Loss of control:
When the Group loses control over subsidiary, it derecognizes the assets and liabilities of the subsidiary, any related non-controlling interest and other component of equity. Any resulting gain or loss is recognized in statement of income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.5 New standards, amendments and interpretations
The new standards, amendments and interpretations which became effective in the current year and those that would be effective for subsequent financial reporting periods, are not expected to have significant impact on the consolidated financial statements as the Trust.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Investment in real estate

Investment in real estate is an investment that earns rental income and / or is expected to benefit from capital appreciation. Investment in real estate is initially recognized at cost including directly attributable expenditure. Subsequent to initial recognition, the investment in real estate is stated at fair value, which reflects market conditions at the reporting date.

Any unrealized gains arising from a change in the fair value of investment in real estate shall be recognized directly in unitholders accounts under “property fair value reserve” for the period in which it arises.

Any unrealized losses resulting from re-measurement at fair value of investment in real estate carried at fair value shall be adjusted in unitholders accounts against the property fair value reserve, to the extent of the available credit balance of this reserve. In case such losses exceed the available balance, the unrealized losses shall be recognized in the consolidated statement of income. In case there are unrealized losses relating to investment in real estate that have been recognized in the consolidated income statement in the previous financial year, the unrealized gains relating to the current financial year shall be recognized to the extent of crediting back such previous losses in the consolidated statement of income.

The realized profits or losses resulting from the sale of any investment in real estate shall be measured as the difference between the book value (or carrying amount) and the net cash or cash equivalent proceeds from the sale for each investment separately. The resulting profit or loss together with the available balance on the property fair value reserve account shall be recognized in the consolidated statement of income for the current financial year.

b) Financial instruments

(i) Classification
The Group currently classifies and measures its financial assets and financial liabilities at amortized cost.

(ii) Recognition and measurement
Financial assets and financial liabilities are recognized at fair value and stated at amortized cost less provision for impairment (for financial assets)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Derecognition
Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

(iv) Impairment of financial assets
The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, mainly trade receivables and bank balances.

The Group measures loss allowances on trade receivables at an amount equal to lifetime ECLs ("Simplified approach").

Loss allowances on bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12-month ECLs ("General approach").

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the
- Group to actions such as realising security (if any is held); or
- the trade receivables are more than 180 days past due from the due date.

Lifetime ECL are the ECLs that result from all possible default events over the expected life of the financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

Trade receivables - (Simplified approach)
The Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Roll rates are calculated separately for exposures in different segments based on the customer's common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and Group view of economic conditions over the expected lives of the receivables. The forward-looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bank balances - (General approach)
Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group assumes that the credit risk on bank balances has been increased significantly if the underlying credit risk of the bank has increased by two rating grades.

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

significant financial difficulty of the borrower / debtor or issuer;
a breach of contract such as a default or being more than 180 days past due from the due date; or
it is probable that the borrower will enter bankruptcy or other financial reorganisation.

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

c) Cash and cash equivalents

Cash and cash equivalents comprise balances held in current accounts, which are realisable on demand and fixed deposit with original maturity of 90 days or less.

d) Trade receivables

Trade receivables comprises of rental and service income receivables due from tenants arising from leases on investment in real estate in the ordinary course of business.

e) Trade and other liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business suppliers. Accounts payable 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 presented as non-current liabilities.

f) Offsetting financial instruments

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

g) Revenue recognition

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

(i) **Rental income**
Rental income arising from operating leases on investment in real estate is accounted for on a straight-line basis over the lease term and is included in rental income in the consolidated statement of income due to its operating nature.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) **Service fee income**

Service fee income represents amounts for property service charges that are payable by tenants to contribute towards the operation and maintenance expenses of the relevant property. Service fees are recognised on a time proportion basis in accordance with the terms of the rental or service agreements.

h) Property expenses

Property expenses comprise all property related expenses which include third party property and facility management fees and utility expenses. Property expenses are recognised in the consolidated statement of income in the year in which they are incurred (on an accruals basis).

i) Capital expenditure reserve

The Investment Manager has forecasted the expected capital expenditure requirements of the real estate properties within the Inaugural Trust Property and established a reserve, to be funded on an ongoing basis, for such expenditures to ensure the properties maintain their income generating capacity and value.

j) Foreign currencies

Foreign currency transactions are recognized in the functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated at the rates of exchange at that date.

Exchange differences arising on the settlement of transactions and on the retranslation of monetary items are included in the consolidated statement of income for the year.

k) Zakat

Zakat is directly borne by the unitholders on distributed profits. The Trust currently does not collect or pay Zakat on behalf of its unitholders.

l) Earning prohibited by Shari'a

EBRIT is committed to avoiding recognizing any income generated from non-Islamic sources. Accordingly, any non-Islamic income will be credited to a Charity Trust where EBRIT uses these Trusts for social welfare activities. To date, no non-Islamic income has been generated.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATE

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, revenue and expenses. However, uncertainty about these judgment, assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

4 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATE (CONTINUED)

Judgment

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimates and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Going concern

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

Consolidation

Whether the Group has control over an investee. Refer to note 2.4.

Impairment of trade receivables

Refer to section "impairment of trade receivables" in note 3 (b).

Estimate

The key assumptions concerning future and other key sources of estimation uncertainty at the consolidated financial statements date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value measurement

Measurement of fair value with significant unobservable input. Refer to note 3 (a), 6 and 19.

Inputs, assumptions and techniques used for estimating impairment

Refer to section "impairment of financial assets" in note 3(b).

5 FEES AND EXPENSES

Investment management fee

The Investment Manager will be entitled to receive the following fees payable from the Trust Properties:

a) BD 15,000 per annum if the Trust's Gross Asset Value ("GAV") over a trailing 12-month period is below or equal to BD 25,000,000; or

b) 0.5% per annum of the Gross Asset Value of the Trust if the Trust's Gross Asset Value over a trailing 12-month period is in excess of BD 25,000,000.

The Investment Manager is entitled to a performance incentive as follows:

The Investment Manager is entitled to a performance incentive should (a) distributions of Net Distributable Income to Unitholders, calculated at the end of each Financial Year, by dividing such distributions by the Offer Price exceed 7% (the amount of such excess distribution, the "**Excess Distribution**"); and (b) the NAV calculated at the end of same Financial Year be higher than the NAV calculated at the end of the last Financial Year where a performance incentive was paid to the Investment Manager or, should no performance incentive have been paid to the Investment Manager prior to the end of a Financial Year, the NAV calculated at the end of such Financial Year be higher than the NAV as at the Issue Date. In any such case the Excess Distribution shall be allocated at 30:70 between the Investment Manager and the Unitholders, and any amendment to the profit should be done following obtaining the approval of the Trustee.

5 FEES AND EXPENSES (CONTINUED)

Administration fee

The annual Administrator fees charged to the Group for the services provided are determined as follows:

a) BD 8,000 (2022: BD 8,000) effective from 1 March 2021 per year if the Trust's NAV is up to BD 25,000,000 within a 12-month period; or

b) the higher of BD 15,000 effective from 1 March 2021 or 0.06% of the Trust's NAV if the Trust's NAV is over BD 25,000,000 within a 12-month period;

c) BD 1,000 per year per subsidiary; and

d) Other service charges to be agreed in writing between the parties when required.

Custody fee

Under the Custody Agreement, the annual Custodian fees charged to the Trust for the services provided are expected to equate to BD 2,000 per annum.

Registrar fee

As per the Registrar Agreement, the annual Registrar fees charged to the Trust for the services provided are 0.500 fils per unitholder per annum provided that such fees, in the aggregate shall not be less than BD 2,000 or greater than BD 10,000.

Trustee fee

The annual Trustee's fees charged to the Trust for the services provided are expected to equate to BD 18,000 per annum.

Property appraiser fee

The Property Appraiser is entitled for the services provided to the Group and the total contracted costs for the current Property Appraiser for the period from 30 June 2023 to 31 December 2024 (for providing four valuations) is BD 4,500.

Property manager fee

The Property Manager is entitled to a monthly fee up to BD 5,590 for the services provided.

Regulatory fee

This includes Bahrain Bourse annual fee of BD 5,000 and the CBB annual fee of BD 2,000.

Shari'a board member fee

The annual Trustee's fees charged to the Trust for the services provided are expected to equate to BD 1,000 per Shari'ah board member per annum.

6 INVESTMENT IN REAL ESTATE

The following table shows the movement in investment in real estate:

	31 December 2023 (audited)	31 December 2022 (audited)
Balance at 1 January	10,575,000	10,905,000
Fair value unrealized gain / (loss) on revaluation of investment in real estate	35,000	(330,000)
	10,610,000	10,575,000

Schedule of investment in real estate as at 31 December 2022:

	Cost	**Fair value**	
		31 December 2023 (audited)	31 December 2022 (audited)
Segaya Plaza	11,150,000	6,170,000	6,140,000
Danaat Al Madina	8,550,000	4,440,000	4,435,000
	19,700,000	**10,610,000**	10,575,000

As at 31 December 2023, the Group held total investment in real estate amounting to BD 10,610,000 (31 December 2022: BD 10,575,000) in two properties located in the Kingdom of Bahrain. During the year, the Group did not incur any cost (31 December 2022: Nil) on investment in real estate.

The investment in real estate has been valued by an independent external appraiser – House Me Company WLL (2022: Chesterton International Bahrain WLL). Both these properties have been leased out.

	31 December 2023	
	Fair value	**% of net assets value**
Segaya Plaza	6,170,000	54.61%
Danaat Al Madina	4,440,000	39.30%
	10,610,000	**93.91%**

	31 December 2022	
	Fair value	% of net assets value
Segaya Plaza	6,140,000	54.44%
Danaat Al Madina	4,435,000	39.32%
	10,575,000	93.76%

Investments in real estate are stated at fair value, being the estimated amount for which a property would exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion. Fair value is estimated based on the Income Approach (Discounted Cash Flow) method as described below.

6 INVESTMENTS IN REAL ESTATE (CONTINUED)

The income approach is a recognized valuation approach in many world markets where real estate is held as an investment. It is used to value tenanted property based on the anticipated future cash flows. Property occupancy, its current and expected rental rates, operating cost, and ongoing refurbishment costs are some of the variables used in a DCF analysis. The future cashflows are discounted using a discount rate (Yield rate / All Risks Yield) which is estimated based on current market trends as well as factors specific to the property like its location, condition of the development and expectations on capital growth and income.

For purpose of valuation assessment, a stabilized occupancy rate of 90% - 95% (2022: 85% - 95%), discount rate of 10.25% -10.5% and terminal growth rate of 2% were considered.

Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS") and are undertaken by appropriately qualified and independent accredited by Real Estate Regulatory Authority (RERA) valuers who are members of RICS and who have recent experience in the locations and categories of properties being valued.

Sensitivity analysis to significant changes to unobservable inputs within Level 3 of the hierarchy

31 December 2023

The following sensitivity analysis has been done by calculating the impact of, change in stabilized occupancy rate and discount rate (keeping all other variables constant), on the valuation of investment in real estate where a positive / (negative) amount reflect possible increase / (decrease) in the carrying value.

	Discount rate			
Stabilized occupancy rate	**9.5%**	**10.5%**	**11%**	**11.5%**
85%	(420,000)	(1,100,000)	(1,420,000)	(1,720,000)
90%	210,000	(510,000)	(840,000)	(1,170,000)
95%	820,000	60,000	(290,000)	(630,000)

31 December 2022

	Discount rate			
Stabilized occupancy rate	9.5%	10.5%	11%	11.5%
85%	(280,000)	(935,000)	(1,245,000)	(1,540,000)
90%	420,000	(290,000)	(620,000)	(935,000)
95%	1,115,000	360,000	10,000	(325,000)

The above sensitivity analysis however, do not necessarily indicate an absolute impact on valuation as the final outcome would be determined by selecting a point estimate within the range of possible outcomes.

7 TRADE RECEIVABLES

	31 December 2023 (audited)	31 December 2022 (audited)
Property rental & service charge receivable	325,675	313,122
Less: impairment allowance (note 7.1)	(290,495)	(290,495)
	35,180	22,627

7 TRADE RECEIVABLES (CONTINUED)

7.1 The movement in impairment allowance for trade receivables is as follow:

	31 December 2023 (audited)	31 December 2022 (audited)
Balance as at 1 January	290,495	278,055
Charge for the year	-	12,440
Balance as at 31 December	**290,495**	290,495

8 CASH AND CASH EQUIVALENTS

	31 December 2023 (audited)	31 December 2022 (audited)
Current accounts	468,402	524,956
Murabaha deposit	422,000	393,752
	890,402	918,708

9 TRADE PAYABLES AND OTHER LIABILITIES

	31 December 2023 (audited)	31 December 2022 (audited)
Security deposit	75,031	79,960
Advance rent	127,949	131,099
Property expenses payable	28,621	15,353
Accrued fees (note 9.1)	23,548	22,404
	255,149	248,816

9.1 Accrued fees

	31 December 2023 (audited)	31 December 2022 (audited)
Property manager fee	6,254	6,254
Administration fees	1,500	2,000
Audit fees*	4,750	4,750
Registrar fees	2,000	2,000
Other fees and expenses	9,044	7,400
	23,548	22,404

*Fees relating to KPMG, the Group's external auditor, during the year 2023 amounted to BD 10,350 (2022: BD 10,350) out of which BD 6,750 (2022: BD 6,750) was for audit services, BD 3,600 (2022: BD 3,600) was for audit related services as required by the regulators and BD nil (2022: BD nil) was for non-audit services.

10 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Related parties comprise the Trustee, Investment Manager and Directors of the above entities.

10.1 Transactions and balances with and from related parties

	31 December 2023 (audited)	31 December 2022 (audited)
Management fees payable (i)	1,250	1,250
Trustee and custodian fees payables (ii)	4,000	4,000
	5,250	5,250

	31 December 2023 (audited)	31 December 2022 (audited)
Performance supplement (note 16)	141,961	100,208
Investment management fees (i)	15,000	15,000
Trustee and custodian fees (ii)	20,000	20,000

(i) Represent investment management fees charged by Eskan Bank BSC (c)
(ii) Represent trustee and custodian fees charged by Keypoint Trust B.S.C (c)

10.2 The following related parties owned units in the Group:

		Units held at	
Related Party	Nature of Relationship	**31 December 2023**	31 December 2022
Eskan Bank B.S.C. (c)*	Investment Manager of the Trust	63,618,044	63,618,044

*In addition to the above, as at 31 December 2023, the investment manager holds 9,901,292 units as market maker (31 December 2022: 8,792,522).

11 DIVIDENDS

The Board of Directors on 26 March 2023 declared a distribution for the period from 1 January 2022 to 31 December 2022 after obtaining CBB approval on 10 April 2023.

The total distribution equated to BD 660,688 or 3.34 fils per unit, which is a 3.34% yield over the twelve-month period from 1 January 2022 to 31 December 2022 and was payable to all Unitholders registered in EBRIT's register of Unitholders with Bahrain Clear as at 30 April 2023 (the record date).

In addition, Eskan Bank B.S.C (c), in its capacity as Investment Manager, decided to provide a performance supplement to unitholders from the income that it was to receive on its locked up units equating to BD 141,961 (2022: 100,208) resulting in all other unitholders receiving a net distribution of 4.25 fils per unit or a 4.25% yield for the 2022 year (refer to note 16).

Accordingly, the total dividend for the year ended 31 December 2022 amounted to BD 802,650 (31 December 2021: BD 566,576).

12 UNIT CAPITAL

The capital of the Trust consists of 198,000,000 units with a par value of BD 0.100 per unit. The units represent beneficial interest in the Trust, divided into interest of one class only.

The units shall be entitled to the rights and subject to the limitations, restrictions and conditions set out in the prospectus and the Trust Instrument. The interest of each unitholder shall be determined by the number of units registered in the name of the unitholder.

The units shall be indivisible. However, two persons or more may jointly own one unit, provided that one person shall represent them towards the Trust.

Each unit shall represent a proportionate, undivided beneficial ownership interest in the Trust and shall confer the right to one vote at any meeting of the unitholders and to participate pro rata in any distribution by the Trust, whether of Net Distributable Income of the Trust or other amounts, and in the event of termination or winding-up of the Trust, in the net asset of the Trust remaining after satisfaction of all liabilities. No Unit shall have any preference or priority over any other. Units shall rank among themselves equally and ratably without discrimination, preference or priority.

Units shall be issued and held in dematerialized book entry form with the Central Depository in accordance with the applicable rules of the Module CSD of the CBB Rulebook, Volume 7.

No unitholder shall be entitled to pre-emption rights in any issue of units.

Weighted average number of units for the purposes of calculating earnings per unit for the year is 198,000,000 (31 December 2022: 198,000,000) units.

13 STATUTORY RESERVE

The Trust is regulated by the Volume 7 – Collective Investment Undertaking. However, its subsidiaries Segaya Plaza Company B.S.C. (c); and Danaat Al Madina Company B.S.C. (c) follow provisions of the Commercial Companies Law and are required to transfer an amount equivalent to 10% of the net profit before appropriations to a reserve account until such time as a minimum 50% of the share capital is set aside. Accordingly, during this year no transfer has been made to the statutory reserve by the subsidiaries as the statutory reserve has already reached 50% of the share capital.

14 RENTAL AND SERVICE FEE INCOME

	Year ended 31 December 2023 (audited)			Year ended 31 December 2022 (audited)		
	Rental income	**Service fee income**	**Total**	Rental income	Service fee income	Total
Segaya Plaza	716,570	19,340	**735,910**	756,559	24,850	781,409
Danaat Al Madina	351,724	36,137	**387,861**	283,346	28,347	311,693
	1,068,294	**55,477**	**1,123,771**	1,039,905	53,197	1,093,102

15 PROPERTY OPERATING EXPENSES

	Year ended 31 December	
	2023 (audited)	2022 (audited)
Property management expenses	329,650	335,534
Property management fee	68,341	67,080
	397,991	402,614

16 OTHER INCOME

	Year ended 31 December	
	2023 (audited)	2022 (audited)
Performance supplement (*)	141,961	100,208
Profit income	14,215	1,405
	156,176	101,613

(*) Pursuant to the Investment Management Agreement, and whilst not a mandatory obligation on the Investment Manager, the Investment Manager has the ability to supplement (the "Performance supplement") any shortfall of the annualized net distributable income of the Trust. Accordingly, the Investment Manager agreed to supplement the shortfall in annualized net distributable income of the Trust for the year ended 31 December 2022 by BD 141,961 (2022: BD 100,208) (refer to note 11).

17 BUSINESS AND GEOGRAPHIC SEGMENTS

The Directors are of the opinion that the Group is mainly engaged in a single segment of business, being investments in income generating real estate properties located in the Kingdom of Bahrain.

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments
Financial instruments include financial assets and financial liabilities. A financial instrument is any contract that gives rise to both a financial asset in one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Trust consist of bank balances and trade receivables.
Financial liabilities of the Trust consist of payables and due to related parties.

Categories of financial instruments

	31 December 2023 (audited)	31 December 2022 (audited)
Financial assets at amortized cost		
Cash and cash equivalents	890,402	918,708
Trade receivables	35,180	22,627

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	31 December 2023 (audited)	31 December 2022 (audited)
Financial liabilities at amortized cost		
Trade and other payables	255,149	248,816
Dividends payable	486	486
Due to related parties	5,250	5,250

Overview

The Trust has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the consolidated financial statements.

The Investment Manager provides investment management services to the Group and monitors and manages the financial risks relating to the operations of the Group. These risks include credit risk, liquidity risk and market risk.

18.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk on its bank balances and trade receivables.

The credit risk faced by the Group is the risk of a financial loss if (i) tenants fail to make rental payments or meet other obligations under their leases or (ii) a counterparty to a financial instrument or other financial arrangement fails to meet its obligations under that instrument or arrangement.

The Group seeks to limit its credit risk by means of the following policies:

(i) Tenants

The Group maintains the property portfolio under continual review through the appointed property manager to minimize tenant credit risk. Tenants occupying under existing leases at the time of the acquisition of an interest in a property are actively monitored for timely payment of rent and other obligations following the acquisition. New tenants that commence occupation subsequent to the acquisition of an interest in a property are assessed at the time of entering a lease.

The Group engages external property management agents to manage the payment of rents by tenants. The Group through the Investment Manager remains actively involved and undertakes regular consideration of tenant profiles, existing and anticipated voids, overdue rents and outstanding rent reviews. Rent deposits are held in respect of all new leases and may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

(ii) Financial counterparties

The Group is not exposed to significant credit risk on its bank balances as it maintains it with a bank, having high credit ratings, that is Shari'a compliant and regulated by the Central Bank of Bahrain and therefore does not hold any allowance for expected credit loss.

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Maximum exposure to credit risk

The management of the Group believes that the carrying amount of financial assets recorded in the consolidated financial statements at the reporting date represents the Group's maximum exposure to credit risk.

	31 December 2023 (audited)	31 December 2022 (audited)
Cash and cash equivalents	890,402	918,708
Trade receivables	35,180	22,627

Aging of trade receivables:

	31 December 2023 (audited)	31 December 2022 (audited)
0–30 days	10,737	4,697
31–90 days	25,026	19,631
91–180 days	10,570	19,598
181–365 days	41,056	28,507
More than 365 days*	238,286	240,689
Gross receivables	325,675	313,122
Allowance for expected credit loss	(290,495)	(290,495)
	35,180	22,627

*includes vacated tenants.

Gross receivables amounting to BD 279,342 (2022: BD 269,196) are considered impaired by management.

The Group does not hold any collateral against above receivables. However, these are secured by deposits held by the Group against certain tenants.

The Group believes that the provision on trade receivables represent best estimate of amount that would be recovered from customers based on available reliable information.

Concentration risk:

All the real estate investment of the Group is located in the Kingdom of Bahrain. Decreased government revenue from reduced oil prices may have a negative effect on Bahrain economy and in turn on the Group's Properties. Emerging markets such as Bahrain are generally susceptible to greater risk than in more developed markets. Any unexpected changes in the political, social, economic or other conditions in Bahrain may have a material adverse effect on the investment in real estate of the Group.

18.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's operations. The Group manages liquidity risk by maintaining sufficient cash at banks to meet its liabilities when due. As of 31 December 2023, the Group is not exposed to significant liquidity risk.

18.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group is not exposed to any significant market risk as of reporting date.

19 FAIR VALUE

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). The fair value of the Group' financial assets and liabilities approximate it carrying value due to its short-term nature. The fair value of investment in real estate approximates it carrying value (note 4).

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Fair value measurements subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment in real estate carried at fair value are categorized within level 3 of the fair value hierarchy. The Group determines the fair values of its investment in real estate by using the income approach Refer to note 6.

There were no transfers between Level 1, Level 2 and Level 3 during the year.

20 NET ASSET VALUE PER UNIT

	Net Assets Value	Number of Units in issue	Net Assets Value Per Unit
As at 31 December 2023	**11,298,609**	198,000,000	**0.0571**
As at 31 December 2022	11,277,815	198,000,000	0.0570
As at 31 December 2021	11,491,853	198,000,000	0.0580
As at 31 December 2020	12,394,766	198,000,000	0.0626

The net asset value per unit is based on the net assets value and units outstanding as at 31 December 2023, 31 December 2022 and 31 December 2021. There has been no redemption since inception of the Trust.

21 EARNING PER UNIT

Earning per unit are calculated by dividing the profit for the year attributable to unitholders of the EBRIT by the weighted average number of units outstanding during the year.

	Year ended 31 December	
	2023	2022
Profit attributable to unitholders – BD	**823,444**	352,538
Weighted average number of units outstanding – units	**198,000,000**	198,000,000
Earning per unit – BD	**0.0042**	0.0018

As this is a closed-ended real estate investment trust, diluted earnings per unit is not applicable.

22 NET DISTRIBUTABLE INCOME

"Net Distributable Income" is defined in Clause 16.4 of the Trust Instrument and is arrived at as follows:

	Notes	Year ended 31 December	
		2023	2022
Opening balance		974,969	848,568
Profit for the year		823,444	352,538
(Deduct) / add back fair value unrealized (gain) / loss pertaining to the Trust property	6	(35,000)	330,000
Add back allowance for expected credit loss	7.1	-	12,440
Deduct capital expenditure reserve	3(i)	(46,300)	(2,001)
Net distributable income		**1,717,113**	1,541,545
Dividend distributed		(802,650)	(566,576)
Net distributable income available		**914,463**	974,969

ANNEXURE
ADDITIONAL DISCLOSURES

ESKAN BANK REALTY INCOME TRUST
ANNEXURE A: CONSOLIDATED STATEMENT OF
PORTFOLIO INVESTMENTS, RECEIVABLES AND FINANCING
AS AT 31 December 2023

	31 December 2023		31 December 2022	
	BD	**% of portfolio**	BD	% of portfolio
Investments:				
Investment in real estate:				
Segaya Plaza	6,170,000	57.96%	6,140,000	57.94%
Danaat Al Madina	4,440,000	41.71%	4,435,000	41.85%
	10,610,000	**99.67%**	10,575,000	99.79%
Receivable:				
Trade receivable	35,180	0.33%	22,627	0.21%
	10,645,180	**100%**	10,597,627	100%

ESKAN BANK REALTY INCOME TRUST
ANNEXURE B: CONSOLIDATED STATEMENT OF FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Year ended 31 December	
	2023	2022
Per Unit	**BD**	BD
Net asset value at the beginning of the year	0.0570	0.0580
Income from investments		
Net income from investments	0.0040	0.0035
Net unrealized gain / (losses) from investments	0.0002	(0.0017)
Total income from investments	**0.0042**	0.0018
Distributions to unitholders		
From net income on investment	(0.0041)	(0.0028)
Total distributions	**(0.0041)**	(0.0028)
Capital contributions	-	-
Net asset value at the end of the year	**0.0571**	0.0570
Financial Ratios / Supplemental Data		
Total net assets at the end of the year	11,298,609	11,277,815
Weighted average net assets	11,288,212	11,293,237
Ratio of expenses to weighted average net assets	0.0435:1	0.0443:1
Turnover rate of portfolio investments, receivables and financing	N.A	N.A
Period rate of return	6.99%	3.12%

Disclosure of the methods used to calculate the following:

a) **Ratio of expenses to weighted average net assets**
The ratio of expenses is computed taking the total expenses for the year divided by the weighted net assets of the Trust during the year.

b) **Period rate of return**
The period rate of return is computed by dividing the net income (loss) for the year by the weighted average net assets of the Trust during the year.

Additional Disclosures

The additional disclosures as required by "BRT-3.1 General Requirements" to the Rulebook on Collective Investment Undertakings (CIU) – Volume 7 on Capital Markets are as follows:

BRT-3.1.1- Jointly Controlled Entities- Not Applicable as EBRIT does not have any joint ownership in any investment.

BRT-3.1.2- Financing and Debt Position - Not Applicable as EBRIT does not have any Financing or Debt.

BRT-3.1.4 - Portfolio Performances (As extracted from valuation report provided by House Me Company WLL):

Properties	Segaya Plaza	Danaat Al Madina
a) Address of the asset	Segaya Plaza, Oman Avenue, Manama, Kingdom of Bahrain	Danaat Al Madina, Al Quds Avenue, Isa Town, Kingdom of Bahrain
b) Acquisition date	10 November 2016	10 November 2016
c) Type of property including the respective proportion allocated to office/retail/residential/parking	Residential (81%), Retail (19%)	Office (57%), Retail (43%)
d) Land area	5,469 sq m	29,014 sq m*
e) Gross/lettable building space	Net lettable area is 15,893 sq m	Net lettable area is 10,575 sq m
f) Current valuation	BHD 6,170,000	BHD 4,440,000
g) Valuation cap rate	The current cap rate stands at 8.25%	The current cap rate stands at 8.5%
h) Average passing rent per square meter	BHD 41.26 per annum**	BHD 43.12 per annum**
i) Current level of leasing incentives for each asset	3 to 6 months	3 to 6 months
j) Annualized net rent based on current rent roll	BHD 655,674	BHD 455,870
k) Vacant space of a building and any large impending lease expiries	Residential occupancy: 98.10% Retail occupancy: 60% No major impending lease expiries	Office occupancy: 93.00% Retail occupancy: 88.64% No major impending lease expiries
l) Operating profit (after property expenses)	BHD 355,157***	BHD 325,212***
m) Percentage of ownership (and commentary on control provisions)	100%	100%
n) Form of ownership (e.g. freehold or leasehold ownership)	Freehold (assumed)	Freehold (assumed)
o) Year of construction completion/major refurbishment	Year of construction: 2014 Major refurbishments of the apartments and common area were undertaken over 2019	Year of construction: 2015 No major refurbishments have subsequently been undertaken
p) Impending capital expenditure costs	None	None

**includes land area for certain freehold apartments situated on floors above the retail components which do not form part of the Trust Property.*

***calculated based on the annualised passing rent divided by the total net lettable area.*

**** calculated based on the annualised passing rent and annualised costs.*