Seef Properties B.S.C.

CHAIRMAN'S REPORT,
INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Report of the Chairman of the Board of Directors on the operations and activities of the Company during the financial year ended 31st December 2018

On behalf of the Board of Directors of Seef Properties B.S.C., it is with great pleasure that I have the opportunity to present to you the Company's Annual Report and audited financial statements for the year ended 31st December 2018; in addition to the Company's performance during the past year and our vision for the future.

A net profit of BD 11.12 million was announced for the fiscal year ended 31st December 2018. Operating profit has witnessed a 2.07% decrease from BD 15.16 million in 2017 to BD 14.85 million in 2018. In the last quarter of 2018, an amount of BD 3.82 million was realized compared to BD 3.70 million for the same period of time in 2017.

The performance of the Company and its subsidiaries is summarized below:

Financial highlights	**2017**	**2018**
Revenue	BD19.19 Million	BD18.86 Million
Operating Profit	BD15.16 Million	BD14.85 Million
Net profit	BD11.06 Million	BD11.12 Million
Total assets	BD165.75 Million	BD168.37 Million
Total equity attributable to shareholder	BD144.56 Million	BD150.83 Million

These figures reflect the strategic efforts of the Board of Directors and Executive Management to consistently safeguard the welfare of our company and shareholders despite being faced with market challenges in 2018. Our customers have also grown steadily despite increasingly challenging market conditions that face industry players across the region.

The Company is currently engaged as a partner in the following subsidiary, joint venture and associate, in addition to the 100% investments Fraser Suites Seef – Bahrain S.P.C. and Seef Entertainment S.P.C.:

Company	No. of shares	Equity Interest
Muharraq Mall Co. W.L.L.	69,600	72.5%
LAMA Real Estate Co. W.L.L.	2,500	50%
Binaa Al Bahrain W.L.L.	1,250	25%

We continuously strive to strengthen Seef Properties' financial standing with the development of mixed-use projects and aim to further diversify our real estate portfolio by focusing on other sectors that contribute majorly to the national economy.

2019 Strategy

Seef Properties strives to be the leading integrated real estate development company in the Kingdom of Bahrain by creating a strong brand backed by a diversified business portfolio that contributes significantly to the national economy. Through the implementation of our strategy, we aim to achieve our corporate mission of developing a robust real estate portfolio consisting of strategically selected assets leveraged to maximise shareholders return.

We will continue to work to address the needs of residents and visitors by providing them with a wide range of properties in prime locations across the Kingdom, further contributing to the elevation of the Kingdom's real estate and tourism sectors.

In response to our the researched-based analysis of the Kingdom's real estate market, we are thrilled to witness the eventful progression of 'Liwan', our unique mixed-use development project in Hamala which combines residential, retail and entertainment elements. The project is expected to officially launch in the fourth quarter of 2019 and is expected to attract visitors from within the Kingdom as well as neighboring areas; further contributing to the development of the national tourism infrastructure.

Further master planning works is also in progress on our upcoming waterfront project, which is located between the two bridges of Muharraq, which seeks to further strengthen the Kingdom's stance as an attractive tourist hub in the region. The project will significantly contribute to the growth of the Kingdom's real estate sector, as well as the national economy as a whole.

Financial Highlights

Seef Properties continues to witness positive growth, as we consistently work towards achieving our financial targets despite highly fluctuating market conditions.

Our Net Profit realized for the fiscal year ended 31st December 2018 was BD 11.12 million in comparison to BD 11.06 million in 2017. Moreover, the fourth quarter of 2018 realized a sum of BD 3.79 million, compared to BD 3.13 million in the year 2017.

The Company also recorded total revenues of BD 18.86 million in 2018 compared to BD 19.19 million in 2017, an equivalent decrease of 1.70%. During the fourth quarter of 2018, BD 4.68 million was achieved compared to BD 4.71 million for the same period of 2017.

Appropriations

	2017	**2018**
Transfer to statutory reserve	BD 1,100,000	BD 1,100,000
Proposed dividend	BD 6,900,000	BD 6,900,000
Remuneration of the Board of Directors' members	BD 230,000	BD 230,000
Allocation of budget for Donations and Charity	BD 170,000	BD 170,000
Retained earnings	BD 2,330,263	BD 2,513,963

Based on the financial results, the Board of Directors have recommended the distribution of BD 0.015 per share as dividends to the shareholders of the Company for the financial year ended 31st December 2018, subject to the approval of the shareholders at the

Annual General Meeting scheduled to be held on the 31st of March 2019, as a first called meeting. Based on the approval obtained at the Annual General Meeting, the said dividend will be paid to all the shareholders whose names are reflected by the Shareholders' Register as of the date of the Annual General Meeting.

The Board of Directors strive to keep the Company compliant with the developing regulation and best market practices. A detailed report on the Corporate Governance of the Company of the financial year ended 31 December 2018 is attached.

The Board of Directors recommends the re-appointment of Ernst&Young as the External Auditor of the Company for the financial year ending 31 December 2019 and a proposal in this respect will be submitted for the approval of the shareholders at the upcoming Annual General Meeting.

Outlook for 2019

We will continue to focus our efforts on diversifying our real estate investment portfolio by focusing on various sectors such as leisure and residential projects. As always, minimizing risk and maximizing shareholder value and returns will remain a top priority across all our business activities.

Through the continual expansion of our portfolio, we endeavor to further develop the real estate sector in Bahrain, further contributing towards the Kingdom's national economy and 2030 Economic Vision.

Word of Appreciation

I would like to take this opportunity to express my sincere gratitude and appreciation to all our Shareholders and Board of Directors for their constant support and guidance during the past year.

I would also like to extend my thanks to our employees, tenants and customers for their great work, dedication and loyalty; which have been integral to Seef Properties' achievements. Dedicated to providing the best quality of service, our valuable employees enable us to achieve our vision of becoming market leaders in the Kingdom's real estate sector, achieving further successes and accomplishments.

On behalf of my colleagues and our esteemed Board of Directors I would like to extend a token of heartfelt thanks and appreciation to His Majesty King Hamad bin Isa Al Khalifa, to His Royal Highness Prince Khalifa bin Salman Al Khalifa, the Prime Minister, to His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Deputy Prime Minister, to the Government of Bahrain, all the Ministries, Officials and Institutions; who continue to support Seef Properties throughout the years.

Without doubt, Seef Properties will continue to maintain its position as a valuable contributor to the real estate sector in the Kingdom, and we look forward to achieving many more remarkable milestones throughout the coming year. Through our business activities, we endeavor to increase our contributions to the national economy as well as boost the real estate sector and hospitality sectors in support of the Kingdom's Economic Vision 2030.

We look forward to continuing to build upon your trust with achieving further growth in 2019.

Mr. Essa Mohamed Najibi
Chairman

Mr. Yusuf Alhammadi
Director

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C.

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Seef Properties B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss, cash flows, changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SEEF PROPERTIES B.S.C. (continued)**

Report on Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

1. Valuation of investment properties Refer to note 6 to the consolidated financial statements	
Key audit matter	**How the key audit matter was addressed in the audit**
Investment properties comprise 69% of the total assets of the Group as at 31 December 2018. The Group's investment properties consist of malls, hotel property and commercial properties located within the Kingdom of Bahrain. These investment properties are measured at fair value determined by independent, external, specialist valuators. The valuation of the investment properties is highly dependent on estimates and assumptions, such as rentals yields, property location, occupancy rates, discount rates, maintenance status, and market knowledge. Because of the complexity of fair value requirements, significance of judgements and estimates applied and the Group's exposure to investment properties forming a major portion of the Group's assets, the audit of fair value measurement for investment properties is a key area of focus.	Our procedures in relation to the fair value assessment of investment properties included, among others: • Evaluation of the independent external valuators' objectivity, independence and relevant expertise; and • Assessment of the methodology, key assumptions and methods used by the valuators in the valuation process. We also evaluated the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions in Note 6 to the consolidated financial statements.

Other information included in the Group's 2018 annual report

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Chairman and the Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Chairman's Report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C. (continued)

Report on Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2018 annual report (continued)

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C. (continued)

Report on Audit of the Consolidated Financial Statements (continued)
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements
We report that:
a) as required by the Bahrain Commercial Companies Law, we report that:
   i. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
   ii. the financial information contained in the Chairman's Report is consistent with the consolidated financial statements; and
   iii. satisfactory explanations and information have been provided to us by Management in response to all our requests.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEEF PROPERTIES B.S.C. (continued)

Report on Other Legal and Regulatory Requirements (continued)

b) We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2018 that might have had a material adverse effect on the business of the Company or on its consolidated financial position.

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

Ernst + Young

Partner's Registration No. 212
13 February 2019
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	*2018* *BD*	*2017* *BD*
ASSETS			
Non-current assets			
Property, equipment and furniture	4	**22,476,918**	23,433,146
Capital work-in-progress	5	**352,689**	615,987
Investment properties	6	**115,672,719**	113,294,723
Investments in an associate and a joint venture	7	**18,922,919**	8,802,735
		157,425,245	146,146,591
Current assets			
Trade and other receivables	8	**2,530,945**	1,715,321
Cash and bank balances	9	**8,412,894**	17,884,025
		10,943,839	19,599,346
TOTAL ASSETS		**168,369,084**	165,745,937
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**46,000,000**	46,000,000
Statutory reserve	11	**21,410,000**	20,310,000
Furniture and fixtures replacement reserve	12	**303,730**	268,709
Retained earnings		**83,112,587**	77,985,655
Equity attributable to equity holders of the parent		**150,826,317**	144,564,364
Non-controlling interest		**3,732,440**	3,530,248
Total equity		**154,558,757**	148,094,612
Non-current liabilities			
Term loan	14	**4,595,256**	6,895,563
Employees' end of service benefits	15	**293,353**	312,913
		4,888,609	7,208,476
Current liabilities			
Unclaimed dividends	16	**3,157,755**	5,310,199
Trade and other payables	17	**3,027,990**	3,385,209
Term loan - current	14	**2,735,973**	1,747,441
		8,921,718	10,442,849
Total liabilities		**13,810,327**	17,651,325
TOTAL EQUITY AND LIABILITIES		**168,369,084**	165,745,937

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

The attached notes 1 to 28 form part of these consolidated financial statements.

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 BD	2017 BD
INCOME			
Property rental income and service charges		**13,575,555**	13,769,160
Income from serviced apartments		**2,012,203**	2,156,118
Leisure and recreational income		**1,804,357**	1,850,114
		17,392,115	17,775,392
Less: cost of sales	18	**4,011,287**	4,025,123
GROSS PROFIT		**13,380,828**	13,750,269
Other operating income	19	**1,242,360**	1,087,676
Profit on term deposits		**226,278**	324,768
OPERATING PROFIT		**14,849,466**	15,162,713
EXPENSES			
Staff costs	20	**1,925,240**	1,851,188
General, administration, marketing and advertisement	21	**1,606,007**	1,873,657
Depreciation	4	**630,933**	624,659
Directors' remuneration	25	**265,000**	265,000
Donations and charitable contributions		**180,000**	175,000
Impairement loss on trade receivables	8	**146,773**	99,617
Finance costs		**435,736**	400,257
PROFIT BEFORE FAIR VALUE GAINS ON INVESTMENT PROPERTIES AND SHARE OF PROFIT FROM INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE		**9,659,777**	9,873,335
Unrealised fair value gain on investment properties	6	**1,333,210**	1,104,592
Share of profit from investments in an associate and a joint venture	7	**123,168**	82,879
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,116,155**	11,060,806
Attributable to:			
Equity holders of the parent		**10,913,963**	10,730,263
Non-controlling interest		**202,192**	330,543
		11,116,155	11,060,806
Basic and diluted earnings per share attributable to equity holders of the parent (fils)	22	**23.73**	23.33

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

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 BD	*2017 BD*
OPERATING ACTIVITIES			
Profit for the year		**11,116,155**	11,060,806
Adjustments for:			
Depreciation	4	**1,453,772**	1,432,707
Loss on disposal of property, equipment and furniture		**7,064**	1,900
Profit on term deposits		**(226,278)**	(324,768)
Finance costs		**435,736**	400,257
Directors' remuneration	25	**265,000**	265,000
Donations and charitable contributions		**180,000**	175,000
Impairment loss on trade receivables	8	**146,773**	99,617
Provision for employees' end of service benefits	15	**67,772**	58,019
Unrealised fair value gain on investment properties	6	**(1,333,210)**	(1,104,592)
Share of profit from investments in an associate and a joint venture	7	**(123,168)**	(82,879)
Operating profit before working capital changes		**11,989,616**	11,981,067
Working capital changes:			
Trade and other receivables		**(1,140,586)**	(65,290)
Trade and other payables		**(346,901)**	(823,147)
		10,502,129	11,092,630
Direct utilisation of furniture and fixtures replacement reserve		**(4,119)**	-
Employees' end of service benefits paid	15	**(87,332)**	(36,591)
Directors' remuneration paid		**(265,000)**	(265,000)
Donations and charitable contributions paid		**(190,318)**	(188,726)
Net cash flows from operating activities		**9,955,360**	10,602,313
INVESTING ACTIVITIES			
Purchase of property, equipment and furniture	4	**(63,753)**	(14,818)
Capital work-in-progress	5	**(1,201,753)**	(1,353,787)
Additions to investment properties	6	**(20,590)**	(18,546)
Additional investment in an associate / joint venture	7	**(9,997,016)**	(62,500)
Net movement in term deposits		**5,128,795**	(2,278,407)
Profit on term deposits received		**204,500**	322,673
Net cash flows used in investing activities		**(5,949,817)**	(3,405,385)
FINANCING ACTIVITIES			
Dividends paid	16	**(6,600,368)**	(6,350,148)
Movement in bank balances representing unclaimed dividends		**6,062,943**	(224,757)
Term loan paid	14	**(1,311,775)**	(749,585)
Finance costs paid		**(435,736)**	(400,257)
Net cash flows used in financing activities		**(2,284,936)**	(7,724,747)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,720,607**	(527,819)
Cash and cash equivalents at 1 January		**5,375,273**	5,903,092
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**7,095,880**	5,375,273

Non-cash items:

1) Movement in donations and charitable contributions of BD 10,318 (2017: BD 18,762) has been excluded from trade and other payables.
2) Movement in profit on term deposits of BD 21,778 (2017: BD 2,095) has been excluded from trade and other receivables.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Equity attributable to equity holders of the parent					
	Note	*Share capital BD*	*Statutory reserve BD*	*Furniture and fixtures replacement reserve BD*	*Retained earnings* BD*	*Non-controlling interest BD*	*Total BD*
Balance at 1 January 2018		46,000,000	20,310,000	268,709	77,985,655	3,530,248	148,094,612
Impact of adoption of IFRS 9	2	-	-	-	(199,967)	-	(199,967)
Balance as at 1 January 2018 (restated)		46,000,000	20,310,000	268,709	77,785,688	3,530,248	147,894,645
Total comprehensive income		-	-	-	10,913,963	202,192	11,116,155
Dividends declared for 2017	13	-	-	-	(6,900,000)	-	(6,900,000)
Reversal of unclaimed dividend	16	-	-	-	2,452,076	-	2,452,076
Transfer to statutory reserve	11	-	1,100,000	-	(1,100,000)	-	-
Transfer to furniture and fixtures replacement reserve	12	-	-	60,366	(60,366)	-	-
Furniture and fixtures replacement reserve utilised		-	-	(21,226)	21,226	-	-
Direct utilisation of furniture and fixtures replacement reserve		-	-	(4,119)	-	-	(4,119)
Balance at 31 December 2018		**46,000,000**	**21,410,000**	**303,730**	**83,112,587**	**3,732,440**	**154,558,757**
Balance at 1 January 2017		46,000,000	19,210,000	218,270	74,845,831	3,199,705	143,473,806
Total comprehensive income		-	-	-	10,730,263	330,543	11,060,806
Dividends declared for 2016	13	-	-	-	(6,440,000)	-	(6,440,000)
Transfer to statutory reserve	11	-	1,100,000	-	(1,100,000)	-	-
Transfer to furniture and fixtures replacement reserve	12	-	-	64,684	(64,684)	-	-
Utilisation of furniture and fixtures replacement reserve		-	-	(14,245)	14,245	-	-
Balance at 31 December 2017		46,000,000	20,310,000	268,709	77,985,655	3,530,248	148,094,612

* Retained earnings include BD 422,251 (2017: BD 348,726) relating to the statutory reserve of the subsidiaries.

The attached notes 1 to 28 form part of these consolidated financial statements.

1 ACTIVITIES

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

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

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

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 13 February 2019.

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

Name	*Ownership interest*		*Principal activities*
	2018	2017	
Subsidiaries			
Fraser Suites Seef - Bahrain S.P.C.	**100%**	100%	Hotel, tourist furnished flats and restaurants for tourist services management.
SEEF Entertainment S.P.C.	**100%**	100%	Management of amusement parks and theme parks and other amusement and recreation activities.
Muharraq Mall Co. W.L.L.	**72.5%**	72.50%	Management of real estate including malls.
Associate			
Binaa Al Bahrain B.S.C. (c)	**25%**	25%	Real estate business.
Joint Venture			
Lama Real Estate W.L.L.	**50%**	50%	Real estate business.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of preparation

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

2.4 New and amended standards and interpretations effective as of 1 January 2018

The accounting policies adopted are consistent with those of the previous financial year, except for the IASB's following new and amended standards and interpretations which are effective as of 1 January 2018. The effects of the adoption of these standards and interpretations on the Group's financial position, consolidated financial performance or disclosures are described below.

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New and amended standards and interpretations effective as of 1 January 2018 (continued)

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. For the Group, measurement and impairment aspects of IFRS 9 had an impact. Since the Group does not enter into derivative contracts, hedge accounting aspect had no impact.

The Group has applied IFRS 9 using modified retrospective approach, at the initial application date of 1 January 2018, without restating comparatives.

i) Classification and measurement of financial assets
Under IFRS 9 the classification and measurement of financial assets is based on a combination of the Group's business model and its contractual cash flow characteristics. The adoption of IFRS 9 did not materially change the classification and measurement of its financial assets or liabilities.

ii) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model with an 'expected credit loss' model ("ECL"). The allowance is based on the ECLs associated with the probability of default over the life of the asset. Under IFRS 9, credit losses are recognised earlier than under the previous standard. The Group has applied the simplified approach for determining ECL as allowed by IFRS 9.

iii) Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that the comparative information has not been restated. The difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under

iv) Reconciliation of carrying amounts as at 31 December 2017 and 1 January 2018
The following table reconciles the carrying amounts as of 31 December 2017 to the carrying amounts determined by applying IFRS 9 on 1 January 2018:

	Carrying value as at 31 December 2017 BD	*Allowance for impairment based on ECL BD*	*Carrying value as at 1 January 2018 BD*
Trade receivables	**1,715,321**	**(199,967)**	**1,515,354**
Cash and bank balances	**17,884,025**	**-**	**17,884,025**
	19,599,346	**(199,967)**	**19,399,379**

v) Impact on retained earnings and other reserves

	Retained earnings BD
As at 1 January 2018 as previously reported	**77,985,655**
Recognition of expected credit losses under IFRS 9	**(199,967)**
Restated opening balance as at 1 January 2018	**77,785,688**

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New and amended standards and interpretations effective as of 1 January 2018 (continued)

vi) Reconciliation of provision recorded as at 31 December 2017 and 1 January 2018

The following table discloses the reconciliation of the previously recorded provision as at 31 December 2017 to the revised provision as of 1 January 2018 on transition to IFRS 9:

	As at 31 December 2017	*Transition adjustment*	*As at 1 January 2018*
	BD	*BD*	*BD*
Provision / ECL relating to:			
Trade receivables	**(979,884)**	**(199,967)**	**(1,179,851)**

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes *IAS 11 Construction Contracts*, *IAS 18 Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted IFRS 15 using the modified retrospective method of adoption. The adoption of IFRS 15 did not warrant any transitional adjustment as of 1 January 2018.

The specific accounting policies for various revenue items are disclosed below:

i) Property rental income and service charges

The Group's rental income from operating leases, less the Group's initial direct costs of entering into the leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises. Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue, as it is considered that the Group acts as principal in this respect.

Rental income is covered by IAS 17 and adoption of IFRS 15 does not have an impact on the recognition and measurement of Group's property rental income and related service charges.

ii) Income from serviced apartments

Room revenue from operating serviced apartments represents total amounts charged to customers and guests during the period including service charges net of the portion applicable to employees as and where applicable, plus unbilled guests ledger at the end of the reporting period. Revenue from serviced apartments is stated net of rebates and other allowances. These services are sold either separately or bundled together with the sale of food and beverages to a customer. Under IFRS 15, the Group concluded that room revenue from serviced apartments will continue to be recognised over time, commensurate with the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the food and beverages will continue to be recognised at a point in time, upon delivery of the food and beverages.

iii) Rendering of services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

Under IFRS 15, the Group concluded that revenue for rendering of services will continue to be recognised over time using relevant input methods.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New and amended standards and interpretations effective as of 1 January 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

iv) Leisure and recreational income

The Group provides leisure and recreational game facilities. The Group concluded that the revenue from leisure and recreational game facilities will continue to be recognised over time, commensurate with the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group.

Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Several other new standards and interpretations and amendments to standards and interpretations applied for the first time in 2018. However, they did not impact the consolidated financial statements of the Group.

2.5 Standards and interpretations issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and 'short-term leases' (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the entity has applied IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs as well.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Standards and interpretations issued but not yet effective (continued)

Transition impact assessment
The Group has elected not to early adopt the standard and would apply it from the mandatory adoption date of 1 January 2019. During 2018, Group has performed a detailed impact assessment of IFRS 16 to assess the impact at the transition date. Group intends to apply the modified retrospective approach to adopt the new standard and would not restate the comparative figures for the year prior to adoption whereby the difference between the ROU (depreciated from commencement date till transition) and the lease liability would be reflected in opening retained earnings as at 1 January 2019 and prior-period financial information will not be restated. The Group intends to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

Right of use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses)

Expected impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	BD
Asset	
Right of use asset	**2,153,075**
Liability	
Lease liability	**2,522,720**
Net impact on equity	**(369,645)**

The adoption of IFRS 16 is expected to have minimal impact on the Group's consolidated statement of profit or loss for the year ending 31 December 2019.

IAS 28 Investment in Associates and Joint Ventures (Amendments): Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying *IAS 28 Investments in Associates and Joint Ventures.*

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Standards and interpretations issued but not yet effective (continued)

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Other amendments resulting from new standards and interpretations and amendments to standards and interpretation will not have any impact on the accounting policies, consolidated financial position or consolidated financial performance of the Group.

2.6 Accounting policies

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

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

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

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

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

An asset is presented as current when it is:

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

All other assets are classified as non-current.

A liability is presented as current when:

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

The Group classifies all other liabilities as non-current.

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

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

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

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

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

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

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

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

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

Building on leasehold land	lower of 70 years or lease term
Equipment	2-10 years
Furniture and fixtures	3-10 years
Motor vehicles	5 years

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

Property, equipment and furniture (continued)
The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

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

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

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

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

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

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

i) Financial assets (policy applicable from 1 January 2018)
The Group's financial assets include cash and short-term deposits and trade and other receivables.

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

i) Financial assets (policy applicable from 1 January 2018) (continued)

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

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

i) Financial assets (policy applicable from 1 January 2018) (continued)

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

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

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

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

ii) Financial assets (policy applicable prior to 1 January 2018)

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits and trade and other receivables.

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

ii) Financial assets (policy applicable prior to 1 January 2018) (continued)

Subsequent measurement (continued)

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

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

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

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

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets are impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

c) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

iii) Financial liabilities

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

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

The Group's financial liabilities include certain items of trade and other payables, unclaimed dividends payable and term loan.

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

- Disclosures for valuation methods, significant estimates and assumptions	Notes 3,6
- Investment properties	Note 6
- Quantitative disclosures of fair value measurement hierarchy	Note 27

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

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

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

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Operating lease payments are recognised on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised in the period in which they are earned.

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

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

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Accounting policies (continued)

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Capital management	Note 26
- Financial risk management and policies	Note 26
- Sensitivity disclosures	Note 26

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

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

Operating lease commitments - Group as a lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of comprehensive income. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2018 for investment properties. For investment properties, a valuation methodology based on income yield capitalisation model was used, as there is a lack of comparable market data because of the nature of the properties.

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

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in note 6.

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

Impairment of trade receivables
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are overdue, are assessed collectively and a provision applied according to the age of the debt, based on historical recovery rates.

At the consolidated statement of financial position date, gross trade receivables were BD 3,152,455 (2017: BD 2,421,561) and provision for doubtful debts was BD 1,175,980 (2017: BD 979,884). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

4 PROPERTY, EQUIPMENT AND FURNITURE

2018	***Building on leasehold land BD***	***Equipment BD***	***Furniture and fixtures BD***	***Motor vehicles BD***	***Total BD***
Cost:					
At 1 January 2018	21,967,761	5,613,684	4,748,782	144,826	32,475,053
Additions	25,177	10,401	10,825	17,350	63,753
Transfers from:					
Capital-work-in progress (note 5)	-	298,547	142,308	-	440,855
Disposals	-	(243,543)	(17,801)	(25,813)	(287,157)
At 31 December 2018	21,992,938	5,679,089	4,884,114	136,363	32,692,504
Depreciation:					
At 1 January 2018	728,406	4,743,435	3,437,622	132,444	9,041,907
Charge for the year	583,543	425,148	435,544	9,537	1,453,772
Relating to disposals	-	(239,299)	(14,981)	(25,813)	(280,093)
At 31 December 2018	1,311,949	4,929,284	3,858,185	116,168	10,215,586
Net carrying values:					
At 31 December 2018	**20,680,989**	**749,805**	**1,025,929**	**20,195**	**22,476,918**

2017	*Building on leasehold land BD*	*Equipment BD*	*Furniture and fixtures BD*	*Motor vehicles BD*	*Total BD*
Cost:					
At 1 January 2017	21,938,755	5,189,994	4,736,820	144,288	32,009,857
Additions	573	11,905	2,340	-	14,818
Transfers from:					
Capital-work-in progress (note 5)	28,433	504,304	9,622	538	542,897
Disposals	-	(92,519)	-	-	(92,519)
At 31 December 2017	21,967,761	5,613,684	4,748,782	144,826	32,475,053
Depreciation:					
At 1 January 2017	145,616	4,415,588	3,014,998	123,617	7,699,819
Charge for the year	582,790	418,466	422,624	8,827	1,432,707
Relating to disposals	-	(90,619)	-	-	(90,619)
At 31 December 2017	728,406	4,743,435	3,437,622	132,444	9,041,907
Net carrying values:					
At 31 December 2017	21,239,355	870,249	1,311,160	12,382	23,433,146

4 PROPERTY, EQUIPMENT AND FURNITURE (continued)

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

	2018 *BD*	*2017* *BD*
Cost of sales (note 18)	**822,839**	808,048
Expenses	**630,933**	624,659
	1,453,772	1,432,707

5 CAPITAL WORK-IN-PROGRESS

	2018 *BD*	*2017* *BD*
At 1 January	**615,987**	175,842
Capital expenditure incurred during the year	**1,201,753**	1,353,787
Transfers to property, equipment and furniture (note 4)	**(440,855)**	(542,897)
Transfers to investment properties (note 6)	**(1,024,196)**	(370,745)
At 31 December	**352,689**	615,987

6 INVESTMENT PROPERTIES

	2018 *BD*	*2017* *BD*
At 1 January	**113,294,723**	111,800,840
Unrealised fair value gain	**1,333,210**	1,104,592
Transfers from capital work-in-progress (note 5)	**1,024,196**	370,745
Expenditure incurred during the year	**20,590**	18,546
At 31 December	**115,672,719**	113,294,723

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

At 31 December 2018 and 31 December 2017, the fair values of the properties are based on valuations performed by independent surveyors. The surveyors are industry specialists in valuing these types of investment properties. The valuations undertaken are based on the income yield capitalisation method or discounted cash flow method.

Fair value hierarchy disclosures for investment properties have been provided in note 27.

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

Properties	*Significant unobservable inputs*	*(weighted average)*	
		2018	*2017*
Seef Mall	Estimated rental value per annum	**BD 7,624,266**	BD 7,299,657
	Occupancy rate	**92%**	98%
	Equivalent yield	**9.00%**	9.00%
Isa Town Mall	Estimated rental value per annum	**BD 808,776**	BD 852,912
	Occupancy rate	**76%**	81%
	Equivalent yield	**9.50%**	9.50%

6 INVESTMENT PROPERTIES (continued)

Properties	*Significant unobservable Inputs*	*(weighted average)*	
		2018	*2017*
Fraser Suites - Seef	Estimated rental value per annum	**BD 1,892,160**	BD 2,229,694
	Occupancy rate	**75%**	75%
	Discount rate	**10.00%**	10.00%
Other commercial properties	Estimated rental value per annum	**BD 1,410,856**	BD 1,205,238
	Occupancy rate	**100%**	100%
	Equivalent yield	**3.0% - 10.0%**	3.0% - 10.0%

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

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

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

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

7 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

	2018	*2017*
	BD	*BD*
At 1 January	**8,802,735**	8,657,356
Additional investment during the year	**9,997,016**	62,500
Share of profit during the year	**123,168**	82,879
At 31 December	**18,922,919**	8,802,735

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

	2018	*2017*
Joint venture's summarised statement of financial position:	***BD***	*BD*
Current assets	**8,113,845**	8,269,979
Non-current assets	**9,922,145**	9,288,834
Current liabilities	**(420,641)**	(78,344)
Equity	**17,615,349**	17,480,469

7 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE (continued)

Joint venture's summarised statement of profit or loss:	***2018 BD***	*2017 BD*
Revenue	**145,418**	176,396
Expenses	**(10,537)**	(10,639)
Profit for the year	**134,881**	165,757
Group's share of profit for the year	**67,441**	82,879

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

Associate's summarised statement of financial position:	***2018 BD***	*2017 BD*
Current assets	**19,958,990**	-
Non-current assets	**30,451,401**	-
Current liabilities	**(15,957)**	-
Equity	**50,394,434**	-

Associate's summarised statement of profit or loss:	***2018 BD***	*2017 BD*
Revenue	**241,146**	-
Expenses	**(18,240)**	-
Profit for the year	**222,906**	-
Group's share of profit for the year	**55,727**	-

During 2017, the Group had acquired 25% shares of Binaa Al Bahrain B.S.C. (c) amounting to BD 62,500. Binaa Al Bahrain B.S.C. (c) did not have any operations in 2017 and as such there is no share of results of associate recognised in the consolidated statement of comprehensive income in 2017.

The joint venture and associate had no material contingent liabilities at 31 December 2018 and 31 December 2017. The joint ventures cannot distribute their profits until it obtains the consent from both venture partners. The Group's share of joint venture's capital commitments at reporting date is disclosed in note 23.

8 TRADE AND OTHER RECEIVABLES

	2018 BD	*2017 BD*
Rents and service charges receivable	**3,152,455**	2,421,561
Less: provision for impairment	**(1,175,980)**	(979,884)
	1,976,475	1,441,677
Due from related parties (note 25)	**186,681**	15,360
Other receivables [net of provision of BD 131,700 (2017: BD 131,700)]	**46,692**	65,391
Prepayments	**154,650**	144,137
Advances to suppliers	**166,447**	48,756
	2,530,945	1,715,321

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

8 TRADE AND OTHER RECEIVABLES

For terms and conditions relating to related party receivables, refer to note 25.

At 31 December 2018, trade and other receivables of BD 1,307,680 (2017: BD 1,111,584) were impaired and provided for. The movement in the provision for trade and other receivables is as follows:

	2018 ***BD***	*2017* *BD*
At 1 January	**1,111,584**	1,011,967
Impact of adoption of IFRS 9 (note 2.4)	**199,967**	-
Charge for the year	**146,773**	99,617
Written off during the year	**(150,644)**	-
At 31 December	**1,307,680**	1,111,584

The Group applies the simplified approach prescribed by IFRS 9 to provide for ECL on trade receivables. The loss allowance provision as at 31 December 2018 incorporates certain forward looking factors and is determined as follows:

		Past due but not impaired				
	Total *BD*	*0-30 days* *BD*	*31-60 days* *BD*	*61-90 days* *BD*	*91 to 120 days* *BD*	*over 120 days* *BD*
Gross carrying amounts 2018	**3,152,455**	**733,605**	**342,760**	**58,713**	**209,601**	**1,807,776**
Loss allowance	(1,175,980)	-	(4,930)	(3,593)	(24,573)	(1,142,884)
Gross carrying amounts 2017	2,421,561	438,570	264,412	3,586	209,221	1,505,772

9 CASH AND BANK BALANCES

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

	2018 ***BD***	*2017* *BD*
Cash on hand, bank balances and term deposits	**8,412,894**	17,884,025
Less: Term deposits with original maturity of more than three months	**(547,611)**	(5,676,406)
Bank balances representing unclaimed dividends *	**(769,403)**	(6,832,346)
	7,095,880	5,375,273

Bank balances are held in commercial banks in the Kingdom of Bahrain and are non-interest bearing. Term deposits are placed for varying periods ranging between one month to one year. The profit rates on term deposits at 31 December 2018 range between 3.5% to 4% (2017: 2.7% to 3.1%).

* Refer to note 16 for details of unclaimed dividends.

10 SHARE CAPITAL

	2018 *BD*	*2017* *BD*
Authorised:		
1,000,000,000 shares of BD 0.100 each	**100,000,000**	100,000,000
Issued, subscribed and fully paid-up:		
460,000,000 shares (2017: 460,000,000 shares) of BD 0.100 each	**46,000,000**	46,000,000

11 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's articles of association require 10% of the profit for the year to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year, BD 1,100,000 (2017: BD 1,100,000) of the profit for the year was transferred to the statutory reserve.

12 FURNITURE AND FIXTURES REPLACEMENT RESERVE

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

13 DIVIDENDS DECLARED

At the Annual General Meeting held on 25 March 2018, the Company's shareholders approved to pay a final dividend of BD 0.015 per share totalling BD 6,900,000. Dividends paid amounting to BD 6,600,368 relate to 2017 and before.

At the Annual General Meeting held on 14 March 2017, the Company's shareholders approved to pay a final dividend of BD 0.014 per share totalling BD 6,440,000. Dividends paid amounting to BD 6,350,148 relate to 2016 and before (note 16).

14 TERM LOAN

This represents a term loan facility obtained by the Group's subsidiary Muharraq Mall Co. W.L.L. (MMC) from a commercial bank in the Kingdom of Bahrain to finance the development of Muharraq Seef Mall. The loan carries interest at the rate of 3.15% plus 3 months LIBOR and is repayable in 24 quarterly instalments commencing from March 2016 until December 2021. The effective interest rate on the loan at 31 December 2018 was 5.65 % (2017: 4.92%).

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

14 TERM LOAN (continued)

Movement in the term loan is as follows:

	2018 *BD*	*2017* *BD*
At 1 January	**8,643,004**	9,392,589
Repayments during the year	**(1,311,775)**	(749,585)
At 31 December	**7,331,229**	8,643,004

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

	2018 *BD*	*2017* *BD*
Current	**2,735,973**	1,747,441
Non-current	**4,595,256**	6,895,563
	7,331,229	8,643,004

15 EMPLOYEES' END OF SERVICE BENEFITS

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2018 amounted to BD 122,225 (2017: BD 107,639).

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

	2018 *BD*	*2017* *BD*
At 1 January	**312,913**	291,485
Charge for the year	**67,772**	58,019
Paid during the year	**(87,332)**	(36,591)
At 31 December	**293,353**	312,913

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

	2018 *BD*	*2017* *BD*
Staff costs (note 20)	**41,078**	38,239
Cost of sales	**26,694**	19,780
	67,772	58,019

16 UNCLAIMED DIVIDENDS

	2018 *BD*	*2017* *BD*
At 1 January	**5,310,199**	5,220,347
Dividends declared (note 13)	**6,900,000**	6,440,000
Dividends paid (note 13)	**(6,600,368)**	(6,350,148)
Reversal	**(2,452,076)**	-
At 31 December	**3,157,755**	5,310,199

16 UNCLAIMED DIVIDENDS (continued)

During the year, the Group, based on a legal opinion and resolution of the shareholders dated 28 February 2006 and 1 March 2007, reversed, through the retained earnings, dividends relating to 2005 and 2006 in respect of a shareholder.

17 TRADE AND OTHER PAYABLES

	2018 BD	*2017* BD
Accrued expenses	**1,024,374**	971,761
Deferred income	**658,877**	774,641
Deposit payable	**482,299**	472,577
Trade payables	**177,991**	265,804
Retentions payable	**155,699**	293,118
Other payables	**448,510**	389,257
Donations and charitable contributions payables	**80,240**	90,558
Rent received in advance	**-**	127,493
	3,027,990	3,385,209

Terms and conditions of the above financial liabilities:

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

18 COST OF SALES

	2018 BD	*2017* BD
Utilities	**954,098**	962,528
Depreciation (note 4)	**822,839**	808,048
Cleaning	**599,411**	610,828
Staff costs	**543,768**	569,354
Maintenance	**459,222**	457,196
Rent expense	**250,000**	250,000
Insurance	**88,001**	37,485
Room related expenses	**76,956**	81,966
Food and beverage costs	**64,845**	57,552
Direct costs incurred on leisure and recreational facilities	**33,882**	37,262
Property tax	**31,260**	31,260
Miscellaneous	**87,005**	121,644
	4,011,287	4,025,123

19 OTHER OPERATING INCOME

	2018 BD	*2017* BD
Kiosk, antenna, ATM and GSM income	**732,916**	708,897
Advertising and promotional income	**130,906**	280,437
Car park income	**48,807**	51,960
Miscellaneous income	**329,731**	46,382
	1,242,360	1,087,676

20 STAFF COSTS

	2018 BD	2017 BD
Basic salaries	**1,260,650**	1,192,417
Allowances	**230,700**	233,010
Bonuses	**156,791**	128,963
Social insurance	**119,863**	118,717
Medical insurance	**78,989**	60,848
End of service benefits (note 15)	**41,078**	38,239
Others	**37,169**	78,994
	1,925,240	1,851,188

21 GENERAL, ADMINISTRATION, MARKETING AND ADVERTISEMENT

	2018 BD	2017 BD
Marketing and advertisement expenses	**646,468**	928,461
Security and other labour expenses	**304,998**	334,481
Legal and professional fees	**174,907**	170,191
Office expenses	**149,600**	152,371
Maintenance expenses	**83,185**	67,024
Incentive fees	**60,223**	71,855
Management fees	**50,305**	53,903
Board sitting fees	**33,400**	29,900
Travelling and transportation expenses	**9,794**	10,800
Miscellaneous	**93,127**	54,671
	1,606,007	1,873,657

22 EARNINGS PER SHARE

	2018	2017
Profit for the year attributable to equity holders of Seef Properties B.S.C. – (BD)	**10,913,963**	10,730,263
Weighted average number of shares outstanding	**460,000,000**	460,000,000
Basic and diluted earnings per share (fils)	**23.73**	23.33

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

23 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

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

	2018	*2017*
	BD	*BD*
Lama Real Estate W.L.L.	**27,885,600**	221,593
Binaa Al Bahrain	**4,968,577**	14,965,593
Seef Mall, Isa Town Mall and Magic Island renovation works	**337,875**	637,946
Muharraq Seef Mall	**2,351**	20,000
	33,194,403	15,845,132

b) Operating lease commitments

The Group's share in the operating lease relating to the land on which Muharraq Seef Mall is located is included in the following disclosed gross commitments.

Future minimum rentals payable under non-cancellable operating leases at 31 December are as

	2018	*2017*
	BD	*BD*
Within one year	**250,000**	250,000
After one year but not more than five years	**1,000,000**	1,000,000
More than five years	**7,541,667**	7,791,667
	8,791,667	9,041,667

c) Other commitments

MMC is expected to pay a royalty charge of 2.75% (2017: 2.75%) of its gross rental income receivable to the lessor commencing from the year 2022 until the end of the lease term in 2053.

d) Legal cases

In the ordinary course of business, the Group is subject to legal claims. The Group has provided for certain claims relating to employees.

e) Guarantee

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

24 SEGMENT INFORMATION

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

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

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

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

24 SEGMENT INFORMATION (continued)

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

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

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

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

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

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

24 SEGMENT INFORMATION (continued)

	Malls and properties		Serviced apartments		Leisure and entertainment		Others		Elimination		Consolidated	
	2018 BD	2017 BD	2018 BD	2017 BD	2018 BD	2017 BD	2018 BD	2017 BD	2018 BD	2017 BD	2018 BD	2017 BD
Income from external operations	13,575,555	13,769,160	2,012,203	2,156,118	1,804,357	1,850,114	-	-	-	-	17,392,115	17,775,392
Inter-segment income	260,160	253,179	-	-	-	-	-	-	(260,160)	(253,179)	-	-
Less: cost of sales	3,264,804	2,589,018	683,506	704,331	323,137	984,953	-	-	(260,160)	(253,179)	4,011,287	4,025,123
Gross profit	10,570,911	11,433,321	1,328,697	1,451,787	1,481,220	865,161	-	-	-	-	13,380,828	13,750,269
Other operating income	-	-	-	-	15,676	19,274	1,226,684	1,068,402	-	-	1,242,360	1,087,676
Profit on term deposits	-	-	-	-	-	-	226,278	324,768	-	-	226,278	324,768
Operating profit	10,570,911	11,433,321	1,328,697	1,451,787	1,496,896	884,435	1,452,962	1,393,170	-	-	14,849,466	15,162,713
Expenses												
Staff costs	1,660,135	1,614,870	265,105	236,318	-	-	-	-	-	-	1,925,240	1,851,188
General, administration, marketing and advertisement	1,141,760	1,462,031	341,641	355,718	122,606	55,908	-	-	-	-	1,606,007	1,873,657
Depreciation	221,345	202,954	75,017	71,536	334,571	350,169	-	-	-	-	630,933	624,659
Directors' remuneration	265,000	265,000	-	-	-	-	-	-	-	-	265,000	265,000
Donations and charitable contributions	180,000	175,000	-	-	-	-	-	-	-	-	180,000	175,000
Impairment loss on trade receivables	146,773	99,617	-	-	-	-	-	-	-	-	146,773	99,617
Profit from operations	6,955,898	7,613,849	646,934	788,215	1,039,719	478,358	1,452,962	1,393,170	-	-	10,095,513	10,273,592
Finance costs	435,736	400,257	-	-	-	-	-	-	-	-	435,736	400,257
Unrealised fair value gain (loss) on investment properties	1,878,975	1,727,479	(545,765)	(622,887)	-	-	-	-	-	-	1,333,210	1,104,592
Share of profit from investments in an associate and a joint venture	123,168	82,879	-	-	-	-	-	-	-	-	123,168	82,879
Segment profit for the year	9,393,777	9,824,464	101,169	165,328	1,039,719	478,358	1,452,962	1,393,170	-	-	11,987,627	11,861,320

	2018 BD	2017 BD	2018 BD	2017 BD	2018 BD	2017 BD	2018 BD	2017 BD	2018 BD	2017 BD	2018 BD	2017 BD
Total assets	158,314,949	156,435,724	12,410,254	12,107,313	1,751,023	1,663,811	-	-	(4,107,142)	(4,460,911)	168,369,084	165,745,937
Total liabilities	13,485,997	17,375,608	4,396,755	4,736,628	34,717	-	-	-	(4,107,142)	(4,460,911)	13,810,327	17,651,325
Capital expenditure	1,225,225	1,229,728	-	14,245	39,645	143,178	-	-	-	-	1,264,870	1,387,151

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

25 RELATED PARTY TRANSACTIONS

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

Transactions with related parties during the year are as follows:

	2018		*2017*	
	Cost of sales BD	***Other operating income BD***	*Cost of sales BD*	*Other operating income BD*
Muharraq Mall Co. W.L.L.	**65,160**	**157,871**	58,179	167,684

The Company has an existing property services agreement with MMC, to provide property development and management, lease management, tenant coordination, management set-up and mall marketing management. The fees for these services were included in other operating income in the consolidated statement of comprehensive income.

Balances with related parties included in the consolidated statement of financial position (note 8) are as follows:

	Receivables	
	2018 BD	*2017 BD*
Lama Real Estate W.L.L.	**186,681**	15,360

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

	2018 BD	*2017 BD*
Directors' remuneration	**265,000**	265,000
Management short-term benefits	**174,560**	234,200
Management end of service benefits	**5,075**	8,029
Board sitting fees	**33,400**	29,900
	478,035	537,129

Outstanding balances at 31 December arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the years ended 31 December 2018 and 31 December 2017, the Group has not recorded any impairment of amounts owed by related parties.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

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

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

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

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

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

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

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

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

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

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

Concentration of credit risk
The Group provides its services to a large number of individuals and companies. Its five largest customers account for 19% of outstanding trade receivables at 31 December 2018 (2017: 36%).

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

2018	***On demand BD***	***Less than 3 months BD***	***3 to 12 months BD***	***1 to 5 years BD***	***Total BD***
Unclaimed dividends	**3,157,755**	**-**	**-**	**-**	**3,157,755**
Trade and other payables	**222,236**	**331,925**	**708,787**	**81,791**	**1,344,739**
Term loan	**-**	**1,011,935**	**1,724,038**	**4,595,256**	**7,331,229**
	3,379,991	**1,343,860**	**2,432,825**	**4,677,047**	**11,833,723**

2017	*On demand BD*	*Less than 3 months BD*	*3 to 12 months BD*	*1 to 5 years BD*	*Total BD*
Unclaimed dividends	5,310,199	-	-	-	5,310,199
Trade and other payables	363,814	636,923	417,118	93,459	1,511,314
Term loan	-	519,714	1,538,201	7,331,633	9,389,548
	5,674,013	1,156,637	1,955,319	7,425,092	16,211,061

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. For the purpose of the Group's capital management, equity includes share capital, statutory reserve, furniture and fixtures replacement reserve, retained earnings and equity attributable to non-controlling interest and is measured at 31 December 2018 at BD 154,558,757 (2017: BD 148,094,612).

27 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

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

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

27 FAIR VALUE MEASUREMENT (continued)

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

		Fair value measurement using			
		Quoted prices prices in active markets (Level 1)	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
31 December 2018	***Date of valuation***	***BD***	***BD***	***BD***	***BD***
Assets measured at fair value					
Investment properties	*31 December 2018*	-	-	**115,672,719**	**115,672,719**

		Fair value measurement using			
		Quoted prices prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
31 December 2017	*Date of valuation*	*BD*	*BD*	*BD*	*BD*
Assets measured at fair value					
Investment properties	*31 December 2017*	-	-	113,294,723	113,294,723

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

Movement in the revalued investment properties and reconciliation of Level 3 fair value hierarchy is disclosed in note 6.

Changes in estimated rental value and yields in isolation would result in a higher or lower fair value of the investment properties. The effect of a reasonably possible 1% change in annual rental income would result in a change in fair value of investment properties is BD 1,081,945 (2017: BD 1,039,415). Similarly, the effect of a reasonably possible change in the yield of 0.25% could impact the fair value of the investment properties by BD 2,901,454 (2017: 2,817,198).

28 COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification does not affect previously reported net income or equity.