Seef Properties B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (REVIEWED)

31 MARCH 2018

Building a better
working world

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REPORT ON THE REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF SEEF PROPERTIES B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Seef Properties B.S.C. ('the Company') and its subsidiaries (together 'the Group') as at 31 March 2018, comprising of the interim consolidated statement of financial position as at 31 March 2018 and the related interim consolidated statements of comprehensive income, cash flows and changes in equity for the three-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst + Young

14 May 2018
Manama, Kingdom of Bahrain

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018 (Reviewed)

	Note	***31 March 2018 Reviewed BD***	*31 December 2017 Audited BD*
ASSETS			
Non-current assets			
Property, equipment and furniture		**23,152,608**	23,433,146
Capital work-in-progress		**812,063**	615,987
Investment properties		**113,297,225**	113,294,723
Investments in an associate and a joint venture	3	**13,818,264**	8,802,735
		151,080,160	146,146,591
Current assets			
Trade and other receivables		**1,911,670**	1,715,321
Cash and bank balances	4	**14,067,280**	17,884,025
		15,978,950	19,599,346
TOTAL ASSETS		**167,059,110**	165,745,937
EQUITY AND LIABILITIES			
Equity			
Share capital		**46,000,000**	46,000,000
Statutory reserve		**20,310,000**	20,310,000
Furniture and fixtures replacement reserve		**284,143**	268,709
Retained earnings		**73,026,482**	77,985,655
Equity attributable to equity holders of the parent		**139,620,625**	144,564,364
Non-controling interests		**3,619,898**	3,530,248
Total equity		**143,240,523**	148,094,612
Liabilities			
Non-current liability			
Term loan		**6,320,039**	6,895,563
Employees' end of service benefits		**269,580**	312,913
		6,589,619	7,208,476
Current liabilities			
Unclaimed dividends	6	**12,081,355**	5,310,199
Trade and other payables		**3,261,906**	3,385,209
Term loan		**1,885,707**	1,747,441
		17,228,968	10,442,849
Total liabilities		**23,818,587**	17,651,325
TOTAL EQUITY AND LIABILITIES		**167,059,110**	165,745,937

Essa Mohamed Najibi
Chairman

Dr Mustafa Al-Sayed
Vice Chairman

Ahmed Yusuf
Chief Executive Officer

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018 (Reviewed)

	Note	*Three months ended 31 March* **2018** BD	2017 BD
REVENUE			
Property rental income and service charges		**3,347,715**	3,477,537
Income from serviced apartments		**514,495**	513,060
Leisure and recreational income		**434,322**	401,391
		4,296,532	4,391,988
Less: cost of revenue		**887,112**	786,284
GROSS PROFIT		**3,409,420**	3,605,704
Other operating income		**259,730**	197,645
Profit on term deposits		**76,729**	82,474
OPERATING PROFIT		**3,745,879**	3,885,823
EXPENSES			
Staff costs		**519,489**	455,128
General, administration, marketing and advertisement		**312,827**	311,955
Depreciation		**147,891**	161,557
Directors' remuneration	10	**230,000**	230,000
Donations and charitable contributions		**170,000**	165,000
Provision for doubtful debts - net		**31,070**	36,399
PROFIT FROM OPERATIONS		**2,334,602**	2,525,784
Finance costs		**(105,746)**	(98,544)
Share of profit of a joint venture		**17,022**	17,837
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,245,878**	2,445,077
Basic and diluted earnings per share	7	**4.69 Fils**	5.05 Fils
Attributable to:			
Equity holders of the parent		**2,156,228**	2,323,891
Non-controlling interests		**89,650**	121,186
		2,245,878	2,445,077

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

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2018 (Reviewed)

	Note	*Three months ended 31 March* **2018** BD	*2017* BD
OPERATING ACTIVITIES			
Profit for the period		**2,245,878**	2,445,077
Adjustments for:			
Depreciation		**352,533**	358,862
Profit on term deposits		**(76,729)**	(82,474)
Provision for doubtful debts - net		**31,070**	36,399
Finance costs		**105,746**	98,544
Directors' remuneration		**230,000**	230,000
Donations and charitable contributions		**170,000**	165,000
Employees' end of service benefits		**16,508**	16,118
Share of profit of a joint venture		**(17,022)**	(17,837)
Operating profit before working capital changes		**3,057,984**	3,249,689
Working capital changes:			
Trade and other receivables		**(426,211)**	345,321
Trade and other payables		**(277,315)**	(366,955)
		2,354,458	3,228,055
Employees' end of service benefits paid		**(59,841)**	(14,747)
Directors' remuneration paid		**(230,000)**	(230,000)
Donations and charitable contributions paid		**(15,988)**	(10,988)
Net cash flows from operating activities		**2,048,629**	2,972,320
INVESTING ACTIVITIES			
Net movement in term deposits		**5,676,406**	2,781,753
Profit on term deposits received		**75,554**	81,299
Purchase of property, equipment and furniture		**(71,995)**	(9,548)
Expenditure incurred on capital work-in-progress		**(196,076)**	(209,426)
Additions to investment properties		**(2,502)**	-
Investment in an associate	3	**(4,998,507)**	-
Net cash flows from investing activities		**482,880**	2,644,078
FINANCING ACTIVITIES			
Dividends paid	6	**(128,844)**	(3,128,314)
Movement in bank balances representing unclaimed dividends	4	**(282,062)**	3,323,003
Term loan paid		**(437,258)**	(187,396)
Finance costs paid		**(105,746)**	(98,544)
Net cash flows used in financing activities		**(953,910)**	(91,251)
INCREASE IN CASH AND CASH EQUIVALENTS		**1,577,599**	5,525,147
Cash and cash equivalents at 1 January		**5,375,273**	5,903,092
CASH AND CASH EQUIVALENTS AT 31 MARCH	4	**6,952,872**	11,428,239

The attached notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018 (Reviewed)

		Equity attributable to equity holders of the parent						
	Note	*Share capital BD*	*Statutory reserve BD*	*Furniture and fixtures replacement reserve BD*	*Retained earnings* BD*	*Total BD*	*Non-controlling interests BD*	*Total equity BD*
Balance as at 1 January 2018		46,000,000	20,310,000	268,709	77,985,655	144,564,364	3,530,248	148,094,612
Impact of IFRS 9 adjustments (note 2)		-	-	-	(199,967)	(199,967)	-	(199,967)
Balance as at 1 January 2018 (restated)		46,000,000	20,310,000	268,709	77,785,688	144,364,397	3,530,248	147,894,645
Total comprehensive income		-	-	-	2,156,228	2,156,228	89,650	2,245,878
Dividends declared for 2017	5	-	-	-	(6,900,000)	(6,900,000)	-	(6,900,000)
Transfer to furniture and fixtures replacement reserve		-	-	15,434	(15,434)	-	-	-
Balance as at 31 March 2018		**46,000,000**	**20,310,000**	**284,143**	**73,026,482**	**139,620,625**	**3,619,898**	**143,240,523**
Balance as at 1 January 2017		46,000,000	19,210,000	218,270	74,845,831	140,274,101	3,199,705	143,473,806
Total comprehensive income		-	-	-	2,323,891	2,323,891	121,186	2,445,077
Dividends declared for 2016	5	-	-	-	(6,440,000)	(6,440,000)	-	(6,440,000)
Transfer to furniture and fixtures replacement reserve		-	-	15,392	(15,392)	-	-	-
Balance as at 31 March 2017		46,000,000	19,210,000	233,662	70,714,330	136,157,992	3,320,891	139,478,883

*Retained earnings include BD 348,726 (2017: 228,529) relating to statutory reserve of the subsidiaries.

The attached notes 1 to 11 form part of these interim condensed 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 (together "the Group") are primarily engaged in the real estate business and also provides leisure and recreational game facilities. The Group owns and manages the Seef Mall, Isa Town Mall, Muharraq Seef Mall, Fraser Suites - Seef and other commercial facilities and properties in the Kingdom of Bahrain and operates the Magic Island, leisure and recreational games facilities.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 14 May 2018.

The Company's subsidiaries, associate and joint venture are as follows:

Name	*Ownership interest*	*Country of incorporation*	*Principal activities*
Subsidiaries			
Fraser Suites Seef - Bahrain S.P.C.	100.0%	Kingdom of Bahrain	Hotel, tourist furnished flats and restaurants for tourist services management.
SEEF Entertainment S.P.C.	100.0%	Kingdom of Bahrain	Management of amusement parks and theme parks and other other amusement and recreation activities
Muharraq Mall Co. W.L.L.	72.5%	Kingdom of Bahrain	Management of real estate including malls. Until 9 October 2016, Muharraq Mall Co. W.L.L. was a joint venture.
Associate and Joint Venture			
Binaa Al Bahrain B.S.C. (c)	25.0%	Kingdom of Bahrain	Real estate business.
Lama Real Estate W.L.L.	50.0%	Kingdom of Bahrain	Real estate business.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the three months ended 31 March 2018 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. In addition, results for the three-month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the new standards and interpretations and amendments to standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 9 Financial Instruments

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 IFRS 9.

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 and other 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

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

The following table reconciles 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 and other 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 SIGNIFICANT ACCOUNTING POLICIES (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 interim condensed consolidated financial statements of the Group.

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 statement of financial position model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) 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 recognise 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 recognise 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 recognise 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 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 16 Leases (continued)
Other amendments resulting from new standards and interpretations and amendments to standards and interpretations will not have any impact on the accounting policies, consolidated financial position or consolidated financial performance of the Group.

3 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

	31 March 2018 Reviewed BD	*31 December 2017 Audited BD*
At 1 January	**8,802,735**	8,657,356
Addition during the period / year	**4,998,507**	62,500
Share of profit during the period / year	**17,022**	82,879
At 31 December	**13,818,264**	8,802,735

The share of results of the joint venture are recorded based on the approved management accounts for the three-month period ended 31 March 2018.

The joint ventures had no material contingent liabilities or capital commitments as at 31 March 2018 and 31 December 2017.

4 CASH AND BANK BALANCES

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

	31 March 2018 Reviewed BD	*31 December 2017 Audited BD*	*31 March 2017 Reviewed BD*
Cash on hand, bank balances and term deposits	**14,067,280**	17,884,025	15,329,071
less: Term deposits with original maturity of more than three months	**-**	(5,676,406)	(616,246)
Bank balances representing unclaimed dividends	**(7,114,408)**	(6,832,346)	(3,284,586)
	6,952,872	5,375,273	11,428,239

The bank balances are held in commercial banks in the Kingdom of Bahrain and are non-profit bearing. Term deposits are placed for varying periods ranging between one month to one year. The profit rates on term deposits as at 31 March 2018 range between 1.85% to 3.10% (31 March 2017: 1.95% to 3.00%).

* Refer to note 6 for details of unclaimed dividends.

5 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 totaling BD 6,900,000 relating to 2017.

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 totaling BD 6,440,000 relating to 2016.

6 UNCLAIMED DIVIDENDS

	31 March 2018 Reviewed BD	*31 December 2017 Audited BD*	*31 March 2017 Reviewed BD*
Balance at the beginning of the period / year	**5,310,199**	5,220,347	5,220,347
Dividends declared (note 5)	**6,900,000**	6,440,000	6,440,000
Dividends paid	**(128,844)**	(6,350,148)	(3,128,314)
Balance at the end of the period / year	**12,081,355**	5,310,199	8,532,033

Dividends paid during the period entirely relates to prior periods (2017: same).

7 EARNINGS PER SHARE

	For the three months ended	
	31 March 2018 Reviewed	*31 March 2017 Reviewed*
Profit attributable to equity holders of the parent for the period – BD	**2,156,228**	2,323,891
Weighted average number of shares outstanding	**460,000,000**	460,000,000
Basic and diluted earnings per share	**4.69 Fils**	5.05 Fils

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.

8 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

Capital expenditure commitments outstanding as at the reporting date but not yet provided for, relating to the projects in malls and other properties are as follows:

	31 March 2018 Reviewed BD	*31 December 2017 Audited BD*
Seef Mall, Isa Town Mall and Magic Island renovation works	**559,425**	637,946
Muharraq Mall Co. W.L.L.	**15,000**	20,000
Binaa Al Bahrain B.S.C. (c)	**9,967,086**	14,965,593
	10,541,511	15,623,539

8 COMMITMENTS AND CONTINGENCIES (continued)

b) Operating lease commitments

The future minimum rental payable under non-cancellable operating leases relating to the land on which Muharraq Seef Mall is located are as follows:

	31 March 2018 Reviewed BD	*31 December 2017 Audited 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	**7,729,167**	7,791,667
	8,979,167	9,041,667

c) Other commitments

Muharraq Mall Co. W.L.L. is expected to pay a royalty charge of 2.75% (2017: 2.75%) of its gross rental income 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 dependent in certain legal claims. The Group, based on legal advice obtained has provided for certain claims relating to employees.

e) Guarantee

The Company, along with the other shareholder, has signed a joint and several corporate guarantee towards term loan obtained by Muharraq Mall Co W.L.L. from a commercial bank.

9 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 restaurants.

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

The Group also earns income from the promotional space and 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 interim condensed consolidated financial statements. The Group's finance revenue generating activities are managed on a group basis and is not allocated to the individual operating segments.

9 SEGMENT INFORMATION (continued)

Transfer prices between operating segments are under normal commercial terms similar to transactions with third parties.

Segment assets include all operating assets used by a segment and consist primarily of investment properties, furniture, equipment and vehicles and trade and other receivables.

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

9 SEGMENT INFORMATION (continued)

	Malls and properties		*Serviced apartments*		*Leisure and entertainment*		*Others*		*Elimination*		*Consolidated*	
	Three months ended 31 March		*Three months ended 31 March*		*Three months ended 31 March*		*Three months ended 31 March*		*Three months ended 31 March*		*Three months ended 31 March*	
	2018	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*
	Reviewed	*Reviewed*	***Reviewed***	*Reviewed*	***Reviewed***	*Reviewed*	***Reviewed***	*Reviewed*	***Reviewed***	*Reviewed*	***Reviewed***	*Reviewed*
	BD	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*
Income from external operations	**3,347,715**	3,477,537	**514,495**	513,060	**434,322**	401,391	**-**	-	**-**	-	**4,296,532**	4,391,988
Inter-segment income	**65,038**	61,551	**-**	-	**-**	-	**-**	-	**(65,038)**	(61,551)	**-**	-
Less: cost of sales	**548,309**	446,853	**166,869**	161,556	**236,972**	239,426	**-**	-	**(65,038)**	(61,551)	**887,112**	786,284
Gross profit	**2,864,444**	3,092,235	**347,626**	351,504	**197,350**	161,965	**-**	-	**-**	-	**3,409,420**	3,605,704
Other operating income	**-**	-	**-**	-	**4,503**	2,830	**255,227**	194,815	**-**	-	**259,730**	197,645
Profit on term deposits	**-**	-	**-**	-	**-**	-	**76,729**	82,474	**-**	-	**76,729**	82,474
Operating profit	**2,864,444**	3,092,235	**347,626**	351,504	**201,853**	164,795	**331,956**	277,289	**-**	-	**3,745,879**	3,885,823
Expenses												
Staff costs	**450,338**	403,447	**69,151**	51,681	**-**	-	**-**	-	**-**	-	**519,489**	455,128
General and administration, marketing and advertisement	**208,259**	206,969	**91,044**	93,124	**13,524**	11,862	**-**	-	**-**	-	**312,827**	311,955
Depreciation	**47,099**	54,849	**17,820**	17,692	**82,972**	89,016	**-**	-	**-**	-	**147,891**	161,557
Directors' remuneration	**230,000**	230,000	**-**	-	**-**	-	**-**	-	**-**	-	**230,000**	230,000
Donations and charitable contributions	**170,000**	165,000	**-**	-	**-**	-	**-**	-	**-**	-	**170,000**	165,000
Provision for doubtful debts	**31,070**	36,399	**-**	-	**-**	-	**-**	-	**-**	-	**31,070**	36,399
Profit from operations	**1,727,678**	1,995,571	**169,611**	189,007	**105,357**	63,917	**331,956**	277,289	**-**	-	**2,334,602**	2,525,784
Finance cost	**(105,746)**	(98,544)	**-**	-	**-**	-	**-**	-	**-**	-	**(105,746)**	(98,544)
Share of profit of a joint venture	**17,022**	17,837	**-**	-	**-**	-	**-**	-	**-**	-	**17,022**	17,837
Segment profit for the period	**1,638,954**	1,914,864	**169,611**	189,007	**105,357**	63,917	**331,956**	277,289	**-**	-	**2,245,878**	2,445,077
	31 March 2018	*31 December 2017*	***31 March 2018***	*31 December 2017*	***31 March 2018***	*31 December 2017*	***31 March 2018***	*31 December 2017*	***31 March 2018***	*31 December 2017*	***31 March 2018***	*31 December 2017*
	Reviewed	*Audited*	***Reviewed***	*Audited*	***Reviewed***	*Audited*	***Reviewed***	*Audited*	***Reviewed***	*Audited*	***Reviewed***	*Audited*
	BD	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*
Total assets	**157,667,972**	156,435,724	**12,101,033**	12,107,313	**1,576,146**	1,663,811	**-**	-	**(4,286,041)**	(4,460,911)	**167,059,110**	165,745,937
Total liabilities	**23,543,890**	17,375,608	**4,560,738**	4,736,628	**-**	-	**-**	-	**(4,286,041)**	(4,460,911)	**23,818,587**	17,651,325

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

10 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 period are as follows:

Balances with related parties included in the interim consolidated statement of financial position are as follows:

	31 March 2018 Reviewed BD	*31 December 2017 Audited BD*
Lama Real Estate W.L.L.	**40**	15,360

Compensation of key management personnel
The remuneration of directors and members of key management during the period was as follows:

	For the three months ended	
	31 March 2018 Reviewed BD	*31 March 2017 Reviewed BD*
Directors' remuneration	**230,000**	230,000
Short-term benefits	**95,360**	89,300
End of service benefits	**1,875**	2,526
	327,235	321,826

Outstanding balances at the period end 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 that the debt will not be recovered. For the three months ended 31 March 2018, the Group has not recorded any impairment of amounts owed by related parties (31 March 2017: nil).

The details of total ownership interest held by the directors along with the entities controlled, jointly controlled or significantly influenced by them are as follows:

	31 March 2018	*31 December 2017*
Number of shares	**2,518,210**	2,518,210
Percentage of holdings	**0.55%**	0.55%

11 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of trade and other receivables and bank balances. Financial liabilities consist of trade and other payables, unclaimed dividends payable and term loan which are carried at amortised cost. There were no liabilities measured at fair value as of 31 March 2018 and 31 December 2017.

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

11 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy
All assets and liabilities for which fair value is measured or disclosed in the interim condensed 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 interim condensed 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.

The following table provides the fair value measurement hierarchy of the Group's non financial assets measured at fair value as at the reporting date:

		Fair value measurement using			
31 March 2018	***Date of valuation***	***Quoted prices in active markets (Level 1) BD***	***Significant observable inputs (Level 2) BD***	***Significant unobservable inputs (Level 3) BD***	***Total BD***
Assets measured at fair value					
Investment properties	*31 December 2017*	-	-	**113,297,225**	**113,297,225**

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

The fair values of the investment properties have been determined by the Group based on valuations performed by independent surveyors as at 31 December 2017. The surveyors are industry specialists in valuing these types of properties and have recent experience in the location and category of the properties being valued. The valuation undertaken were based on income yield capitalisation method. The management believes that there are no changes in market conditions during the period which would significantly change the fair values determined as at 31 December 2017.

During the reporting periods ended 31 March 2018 and 31 March 2017 and year ended 31 December 2017, there were no transfers within the levels of fair value hierarchy.