

Seef Properties B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(REVIEWED)**

31 MARCH 2019

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 2019, comprising of the interim consolidated statement of financial position as at 31 March 2019 and the related interim consolidated statements of 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.



30 April 2019
Manama, Kingdom of Bahrain

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (Reviewed)

	Note	31 March 2019 (Reviewed) BD	31 December 2018 (Audited) BD
ASSETS			
Non-current assets			
Property, equipment and furniture		22,267,057	22,476,918
Capital work-in-progress		404,838	352,689
Investment properties		115,702,109	115,672,719
Investments in an associate and a joint venture	3	18,733,599	18,922,919
Right-of-use-assets	4	2,137,291	-
		<u>159,244,894</u>	<u>157,425,245</u>
Current assets			
Trade and other receivables		2,868,879	2,530,945
Cash and bank balances	5	10,632,770	8,412,894
		<u>13,501,649</u>	<u>10,943,839</u>
TOTAL ASSETS		<u><u>172,746,543</u></u>	<u><u>168,369,084</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		46,000,000	46,000,000
Statutory reserve		21,410,000	21,410,000
Furniture and fixtures replacement reserve		317,288	303,730
Retained earnings		78,102,703	83,112,587
Equity attributable to equity holders of the parent		<u>145,829,991</u>	<u>150,826,317</u>
Non-controlling interests		3,684,157	3,732,440
Total equity		<u>149,514,148</u>	<u>154,558,757</u>
Liabilities			
Non-current liabilities			
Term loan - non-current portion		6,607,506	4,595,256
Lease liability - non-current portion	6	2,284,538	-
Employees' end of service benefits		307,679	293,353
		<u>9,199,723</u>	<u>4,888,609</u>
Current liabilities			
Unclaimed dividends	8	9,961,508	3,157,755
Trade and other payables		3,255,239	3,027,990
Term loan - current portion		580,406	2,735,973
Lease liability - current portion	6	235,519	-
		<u>14,032,672</u>	<u>8,921,718</u>
Total liabilities		<u>23,232,395</u>	<u>13,810,327</u>
TOTAL EQUITY AND LIABILITIES		<u><u>172,746,543</u></u>	<u><u>168,369,084</u></u>



Essa Mohamed Najibi
Chairman



Fuad Taqi
Director



Ahmed Yusuf
Chief Executive Officer

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2019 (Reviewed)

	Note	Three months ended 31 March	
		2019 BD	2018 BD
REVENUE			
Property rental income and service charges		3,330,503	3,347,715
Income from serviced apartments		516,732	514,495
Leisure and recreational income		418,492	434,322
		4,265,727	4,296,532
Less: cost of sales		720,892	887,112
GROSS PROFIT		3,544,835	3,409,420
Other operating income		293,947	259,730
Profit on term deposits		50,628	76,729
OPERATING PROFIT		3,889,410	3,745,879
EXPENSES			
Staff costs		472,054	519,489
General, administration, marketing and advertisement		357,323	312,827
Depreciation		185,255	147,891
Directors' remuneration	12	230,000	230,000
Donations and charitable contributions		170,000	170,000
Provision for expected credit losses		70,248	31,070
Finance costs		181,980	105,746
		1,666,860	1,517,023
PROFIT BEFORE SHARE OF PROFIT OF JOINT VENTURE		2,222,550	2,228,856
Share of profit of a joint venture		4,430	17,022
PROFIT FOR THE PERIOD		2,226,980	2,245,878
Basic and diluted earnings per share	9	4.77 Fils	4.69 Fils
Attributable to:			
Equity holders of the parent		2,192,116	2,156,228
Non-controlling interest		34,864	89,650
		2,226,980	2,245,878



Essa Mohamed Najibi
Chairman



Fuad Taqi
Director



Ahmed Yusuf
Chief Executive Officer

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2019 (Reviewed)

		<i>Three months ended</i>	
		<i>31 March</i>	
	<i>Note</i>	<i>2019</i>	<i>2018</i>
		<i>BD</i>	<i>BD</i>
OPERATING ACTIVITIES			
Profit for the period		2,226,980	2,245,878
Adjustments for:			
Depreciation		410,267	352,533
Profit on term deposits		(50,628)	(76,729)
Provision for expected credit losses		70,248	31,070
Finance costs		181,980	105,746
Directors' remuneration		230,000	230,000
Donations and charitable contributions		170,000	170,000
Employees' end of service benefits		15,794	16,508
Share of profit of a joint venture	3	(4,430)	(17,022)
Eliminations	3	193,750	-
Operating profit before working capital changes		3,443,961	3,057,984
Working capital changes:			
Trade and other receivables		(365,067)	(426,211)
Trade and other payables		59,894	(277,315)
		3,138,788	2,354,458
Direct utilisation of furniture and fixtures replacement reserve		(1,943)	-
Employees' end of service benefits paid		(1,468)	(59,841)
Directors' remuneration paid		(230,000)	(230,000)
Donations and charitable contributions paid		(2,645)	(15,988)
Net cash flows from operating activities		2,902,732	2,048,629
INVESTING ACTIVITIES			
Net movement in term deposits		-	5,676,406
Profit on term deposits received		7,513	75,554
Purchase of property, equipment and furniture		(184,623)	(71,995)
Expenditure incurred on capital work-in-progress		(52,149)	(196,076)
Additions to investment properties		(29,390)	(2,502)
Investment in an associate	3	-	(4,998,507)
Net cash flows (used in) from investing activities		(258,649)	482,880
FINANCING ACTIVITIES			
Dividends paid	8	(96,247)	(128,844)
Movement in bank balances representing unclaimed dividends	5	53,464	(282,062)
Term loan paid		(143,317)	(437,258)
Finance costs paid		(184,643)	(105,746)
Net cash flows used in financing activities		(370,743)	(953,910)
INCREASE IN CASH AND CASH EQUIVALENTS		2,273,340	1,577,599
Cash and cash equivalents at 1 January		7,095,880	5,375,273
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	9,369,220	6,952,872

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019 (Reviewed)

	Equity attributable to equity holders of the parent							Total equity BD
	Share capital BD	Statutory reserve BD	Furniture and fixtures replacement reserve BD	Retained earnings* BD	Total BD	Non-controlling interests BD		
Balance as at 1 January 2019	46,000,000	21,410,000	303,730	83,112,587	150,826,317	3,732,440	154,558,757	
Impact of adoption of IFRS 16	-	-	-	(286,499)	(286,499)	(83,147)	(369,646)	
Balance as at 1 January 2019 (restated)	46,000,000	21,410,000	303,730	82,826,088	150,539,818	3,649,293	154,189,111	
Total comprehensive income	-	-	-	2,192,116	2,192,116	34,864	2,226,980	
Dividends declared for 2018	-	-	-	(6,900,000)	(6,900,000)	-	(6,900,000)	
Transfer to furniture and fixtures replacement reserve	-	-	15,501	(15,501)	-	-	-	
Utilisation of furniture and fixtures replacement reserve	-	-	(1,943)	-	-	-	(1,943)	
Balance as at 31 March 2019	46,000,000	21,410,000	317,288	78,102,703	145,831,934	3,684,157	149,514,148	
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	-	-	-	(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	-	-	-	(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	

*Retained earnings include BD 422,251 (2018: BD 422,251) relating to statutory reserve of the subsidiaries.

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Seef Properties B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

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 interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2019.

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

<i>Name</i>	<i>Ownership interest</i>		<i>Principal activities</i>
	2019	2018	
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, theme parks and other amusement and recreation activities.
Muharraq Mall Co. W.L.L.	72.5%	72.5%	Management of real estate including malls.
Associate			
Binaa Al Bahrain B.S.C. (c)	25%	25%	Real estate business.
Joint venture			
Lama Real Estate W.L.L.	50%	50%	Real estate business.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the three months ended 31 March 2019 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 2018. In addition, results for the three-month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group does not have other comprehensive income items, therefore a statement of other comprehensive income is not presented.

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 2018, except for the new standards, interpretations and amendments to standards and interpretations effective as of 1 January 2019. 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 16 'Leases'. The details of this standard, the transition impact and related accounting policies are discussed below:

IFRS 16 Leases

IFRS 16 supersedes 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'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the Group measures the right-of-use assets at 1 January 2019 at an amount which is equal to the lease liability (subject to certain amendments). The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applies a single recognition and measurement approach for all leases in which is the lessee, except for leases of low-value assets and short term leases. The Group recognises lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

b) Transition impact

The Group applied 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 was reflected in opening retained earnings as at 1 January 2019 and prior-period financial information will not be restated. The Group applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group did 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 are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses)

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

	<i>BD</i>
Asset	
Right of use asset	2,153,075
Liability	
Lease liability	2,522,721
Net impact on equity	<u><u>(369,646)</u></u>

The adoption of IFRS 16 had the following impact on the Group's consolidated statement of income for the period ended 31 March 2019:

	<i>BD</i>
Depreciation	(15,783)
Finance costs	(60,362)
	<u><u>(76,145)</u></u>

c) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the date of initial application, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the date of initial application. After the date of initial application, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Summary of new accounting policies (continued)

Leases of low-value assets

The Group applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The following other amendments and interpretation apply for the first time in 2019, but do not have a material impact on the interim condensed financial statements of the Group.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement; and
- Amendments to IAS 28: Long-term interests in associates and joint ventures.

Annual Improvements 2015-2017 Cycle

- IFRS 3 Business Combinations;
- IFRS 11 Joint Arrangements;
- IAS 12 Income Taxes; and
- IAS 23 Borrowing Costs.

3 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

	<i>31 March 2019 Reviewed BD</i>	<i>31 December 2018 Audited BD</i>
Balance at the beginning of the period / year	18,922,919	8,802,735
Addition during the period / year	-	9,997,016
Share of profit during the period / year	4,430	123,168
Eliminations	(193,750)	-
Balance at the end of the period / year	<u>18,733,599</u>	<u>18,922,919</u>

The share of results of the joint venture are recorded based on the approved management accounts for the three-month period ended 31 March 2019.

The joint venture had no material contingent liabilities or capital commitments as at 31 March 2019 and 31 December 2018.

4 RIGHT-OF-USE-ASSETS

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

	<i>Land BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
As at 1 January 2019	2,150,771	2,303	2,153,074
Depreciation for the period	(15,291)	(492)	(15,783)
As at 31 March 2019	<u>2,135,480</u>	<u>1,811</u>	<u>2,137,291</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

5 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 2019 Reviewed BD	31 December 2018 Audited BD	31 March 2018 Reviewed BD
Cash on hand, bank balances and term deposits	10,632,770	8,412,894	14,067,280
Less: Term deposits with original maturity of more than three months	(547,611)	(547,611)	-
Bank balances representing unclaimed dividends *	(715,939)	(769,403)	(7,114,408)
	9,369,220	7,095,880	6,952,872

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 2019 range between 3.5% to 4.05% (31 March 2018: 1.85% to 3.10%).

* Refer to note 8 for details of unclaimed dividends.

6 LEASE LIABILITY

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

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

The movement of the lease liability is as follows:

	Leasehold land BD	Leasehold motor vehicles BD	Total BD
Balance at 1 January 2019	2,520,312	2,408	2,522,720
Lease payments during the period	(62,500)	(525)	(63,025)
Interest during the period	60,345	17	60,362
Balance at 31 March 2019	2,518,157	1,900	2,520,057

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

	Leasehold land BD	Leasehold motor vehicles BD	Total BD
Current	233,619	1,900	235,519
Non-current	2,284,538	-	2,284,538
	2,518,157	1,900	2,520,057

Seef Properties B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

7 DIVIDENDS DECLARED

At the Annual General Meeting held on 31 March 2019, the Company's shareholders approved to pay a final dividend of BD 0.015 per share totalling BD 6,900,000 relating to 2018.

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 relating to 2017.

8 UNCLAIMED DIVIDENDS

	31 March 2019 Reviewed BD	31 December 2018 Audited BD	31 March 2018 Reviewed BD
Balance at the beginning of the period / year	3,157,755	5,310,199	5,310,199
Dividends declared (note 7)	6,900,000	6,900,000	6,900,000
Dividends paid	(96,247)	(6,600,368)	(128,844)
Reversal	-	(2,452,076)	-
Balance at the end of the period / year	<u>9,961,508</u>	<u>3,157,755</u>	<u>12,081,355</u>

Dividends paid during the period entirely relates to prior periods (2018: same).

9 EARNINGS PER SHARE

	<i>For the three months ended</i>	
	31 March 2019 Reviewed	31 March 2018 Reviewed
Profit attributable to equity holders of the parent for the period – BD	<u>2,192,116</u>	<u>2,156,228</u>
Weighted average number of shares outstanding	<u>460,000,000</u>	<u>460,000,000</u>
Basic and diluted earnings per share	<u>4.77 Fils</u>	<u>4.69 Fils</u>

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.

10 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 2019 Reviewed BD	31 December 2018 Audited BD
Seef Mall, Isa Town Mall and Magic Island renovation works	782,739	337,875
Muharraq Mall Co. W.L.L.	2,351	2,351
Binaa Al Bahrain B.S.C. (c)	4,968,577	4,968,577
	<u>5,753,667</u>	<u>5,308,803</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

10 COMMITMENTS AND CONTINGENCIES (continued)

b) Other commitments

Muharraq Mall Co. W.L.L. is expected to pay a royalty charge of 2.75% (2018: 2.75%) of its gross rental income to the lessor, commencing from the year 2022 until the end of the lease term in 2053.

c) Legal cases

In the ordinary course of business, the Group is dependent in certain legal claims. The Group, based on legal advice obtained has provided for certain claims relating to employees.

d) 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. As of 31 March 2019, the loan has carrying value of BD 7,187,912 (31 December 2018: BD 7,331,229).

11 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.

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.

Seef Properties B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

11 SEGMENT INFORMATION (continued)

	Malls and properties			Serviced apartments			Leisure and entertainment			Others			Elimination			Consolidated			
	Three months ended			Three months ended			Three months ended			Three months ended			Three months ended			Three months ended			
	2019	2018	2018	2019	2018	2018	2019	2018	2018	2019	2018	2019	2018	2019	2018	2019	2018	2018	
	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Income from external operations	3,330,503	3,347,715	514,495	418,492	434,322	-	-	-	-	-	-	-	-	-	4,265,727	-	-	4,296,532	-
Inter-segment income	65,040	65,038	-	-	-	-	-	-	-	-	-	-	-	(65,040)	-	-	-	-	-
Less: cost of sales	339,433	418,233	166,869	163,860	236,972	-	-	-	-	-	-	-	-	65,040	720,892	-	-	887,112	-
Gross profit	3,056,110	2,994,520	347,626	254,632	197,350	-	-	-	-	-	-	-	-	-	3,544,835	-	-	3,409,420	-
Other operating income	-	-	-	11,962	4,503	-	281,985	255,227	-	-	-	-	-	-	293,947	-	-	259,730	-
Profit on term deposits	-	-	-	-	-	-	50,628	76,729	-	-	-	-	-	-	50,628	-	-	76,729	-
Operating profit	3,056,110	2,994,520	347,626	266,594	201,853	-	332,613	331,956	-	-	-	-	-	-	3,889,410	-	-	3,745,879	-
Expenses																			
Staff costs	328,258	450,338	69,151	78,793	-	-	-	-	-	-	-	-	-	-	472,054	-	-	519,489	-
General, administration, marketing and advertisement	237,652	208,259	91,044	29,216	13,524	-	-	-	-	-	-	-	-	-	357,323	-	-	312,827	-
Depreciation	82,650	47,099	17,820	82,994	82,972	-	-	-	-	-	-	-	-	-	185,255	-	-	147,891	-
Directors' remuneration	230,000	230,000	-	-	-	-	-	-	-	-	-	-	-	-	230,000	-	-	230,000	-
Donations and charitable contributions	170,000	170,000	-	-	-	-	-	-	-	-	-	-	-	-	170,000	-	-	170,000	-
Provision for expected credit losses	70,248	31,070	-	-	-	-	-	-	-	-	-	-	-	-	70,248	-	-	31,070	-
Finance costs	181,980	105,746	-	-	-	-	-	-	-	-	-	-	-	-	181,980	-	-	105,746	-
PROFIT BEFORE SHARE OF PROFIT OF A JOINT VENTURE	1,755,322	1,752,008	169,611	75,591	105,357	-	332,613	331,956	-	-	-	-	-	-	2,222,550	-	-	2,228,856	-
Share of profit of a joint venture	4,430	17,022	-	-	-	-	-	-	-	-	-	-	-	-	4,430	-	-	17,022	-
Segment profit for the period	1,759,752	1,769,030	169,611	75,591	105,357	-	332,613	331,956	-	-	-	-	-	-	2,226,980	-	-	2,245,878	-
Total assets	163,839,672	158,314,949	12,096,792	911,239	1,751,023	-	-	-	-	-	-	-	-	(4,101,160)	172,746,543	-	-	168,369,084	-
Total liabilities	22,708,384	13,485,997	4,441,898	183,273	34,717	-	-	-	-	-	-	-	-	(4,101,160)	23,232,395	-	-	13,810,327	-

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

Seef Properties B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

12 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 2019 Reviewed BD	31 December 2018 Audited BD
Receivable		
Lama Real Estate W.L.L.	180,965	186,681

Compensation of key management personnel

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

	<i>For the three months ended</i>	
	31 March 2019 Reviewed BD	31 March 2018 Reviewed BD
Directors' remuneration	230,000	230,000
Short-term benefits	26,400	95,360
End of service benefits	1,200	1,875
	257,600	327,235

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 2019, the Group has not recorded any impairment of amounts owed by related parties (31 March 2018: 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 2019	31 December 2018
Number of shares	2,309,210	2,518,210
Percentage of holdings	0.50%	0.55%

13 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 2019 and 31 December 2018.

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.

Seef Properties B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

13 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:

	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
		<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
31 March 2019					

Assets measured at fair value

Investment properties	31 December 2018	-	-	115,702,109	115,702,109
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	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
		<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
31 December 2018					

Assets measured at fair value

Investment properties	31 December 2018	-	-	115,672,719	115,672,719
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The fair values of the investment properties have been determined by the Group based on valuations performed by independent surveyors as at 31 December 2018. 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 2018.

During the reporting periods ended 31 March 2019 and 31 March 2018 and year ended 31 December 2018, there were no transfers within the levels of fair value hierarchy.

Seef Properties B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Reviewed)

13 FAIR VALUE MEASUREMENT (continued)

The movements in the fair values of investment properties, are as follows:

	<i>30 March 2019 Reviewed BD</i>	<i>31 December 2018 Audited BD</i>
Balance at the beginning of the period / year	115,672,719	113,294,723
Transfers from capital work-in-progress	-	1,333,210
Unrealised fair value gain	-	1,024,196
Balance at the end of the period / year	29,390	20,590
	<u>115,702,109</u>	<u>115,672,719</u>