

Seef Properties B.S.C.

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

30 JUNE 2020

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 30 June 2020, comprising the interim consolidated statement of financial position as at 30 June 2020 and the related interim consolidated statements of income, cash flows and changes in equity for the six-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.



10 August 2020
Manama, Kingdom of Bahrain

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 (Reviewed)

		30 June 2020 Reviewed BD	<i>31 December 2019 Audited BD</i>
ASSETS			
Non-current assets			
Property, equipment and furniture		1,093,164	1,333,302
Capital work-in-progress		722,793	652,230
Investment properties		138,158,318	137,846,854
Investments in an associate and a joint venture	4	23,781,923	18,861,526
Right-of-use-assets	5	2,071,254	2,110,311
		165,827,452	160,804,223
Current assets			
Trade and other receivables		3,800,214	3,167,796
Bank balances and cash	6	5,719,887	10,350,468
		9,520,101	13,518,264
TOTAL ASSETS		175,347,553	174,322,487
EQUITY AND LIABILITIES			
Equity			
Share capital		46,000,000	46,000,000
Statutory reserve		22,510,000	22,510,000
Furniture and fixtures replacement reserve		220,517	246,521
Retained earnings		81,581,103	85,785,439
Equity attributable to equity holders of the parent		150,311,620	154,541,960
Non-controlling interests		3,879,819	3,821,242
Total equity		154,191,439	158,363,202
Non-current liabilities			
Term loan - non-current portion		5,995,175	5,995,175
Lease liability - non-current portion	7	2,496,242	2,505,718
Employees' end of service benefits		238,578	262,043
		8,729,995	8,762,936
Current liabilities			
Unclaimed dividends	9	4,489,264	3,591,979
Trade and other payables		2,801,192	2,964,884
Term loan - current portion		5,112,869	612,869
Lease liability - current portion	7	22,794	26,617
		12,426,119	7,196,349
Total liabilities		21,156,114	15,959,285
TOTAL EQUITY AND LIABILITIES		175,347,553	174,322,487



Essa Mohamed Najibi
Chairman



Dr. Mustafa Al-Sayed
Vice Chairman



Ahmed Yusuf
Chief Executive Officer

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2020 (Reviewed)

	Note	Six months ended 30 June	
		2020 BD	2019 BD
REVENUE			
Property rental income and service charges		5,005,942	6,645,336
Income from serviced apartments		428,666	1,028,315
Leisure and recreational income		259,900	872,114
		5,694,508	8,545,765
Less: cost of sales		871,383	1,378,424
GROSS PROFIT		4,823,125	7,167,341
Other operating income		468,968	553,087
Profit on term deposits		37,862	68,071
OPERATING PROFIT		5,329,955	7,788,499
EXPENSES			
General and administrative expenses		1,246,859	1,684,478
Depreciation		335,769	365,293
Other expenses		400,000	400,000
Expected credit losses		232,963	134,167
Finance costs		344,083	346,902
		2,559,674	2,930,840
PROFIT BEFORE SHARE OF PROFIT FROM INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE		2,770,281	4,857,659
Share of (loss) profit from investments in an associate and a joint venture		(3,180)	1,041
PROFIT FOR THE PERIOD		2,767,101	4,858,700
Basic and diluted earnings per share	10	5.89 Fils	10.26 Fils
Attributable to:			
Equity holders of the parent		2,708,524	4,721,113
Non-controlling interest		58,577	137,587
		2,767,101	4,858,700



Essa Mohamed Najibi
Chairman



Dr. Mustafa Al-Sayed
Vice Chairman



Ahmed Yusuf
Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 (Reviewed)

	Note	Six months ended	
		30 June	
		2020	2019
		BD	BD
OPERATING ACTIVITIES			
Profit for the period		2,767,101	4,858,700
Adjustments for:			
Depreciation		378,571	527,129
Profit on term deposits		(37,862)	(68,071)
Provision for expected credit losses		232,963	134,167
Finance costs		344,083	346,902
Other expenses		400,000	400,000
Employees' end of service benefits		24,641	31,552
Share of profit of a joint venture		3,180	(1,041)
Other adjustments		45,000	216,250
Operating profit before working capital changes		4,157,677	6,445,588
Working capital changes:			
Trade and other receivables		(869,480)	(821,110)
Trade and other payables		(216,783)	273,330
		3,071,414	5,897,808
Direct utilisation of furniture and fixtures replacement reserve		(38,864)	(19,604)
Employees' end of service benefits paid		(48,106)	(59,862)
Directors' remuneration paid		(230,000)	(230,000)
Donations and charitable contributions paid		(116,909)	(171,040)
Net cash flows from operating activities		2,637,535	5,417,302
INVESTING ACTIVITIES			
Net movement in term deposits with original maturity of more than three months		296,250	(1,619,433)
Profit on term deposits received		41,961	55,969
Purchase of property, equipment and furniture		(99,376)	(235,477)
Expenditure incurred on capital work-in-progress		(70,563)	(357,164)
Additions to investment properties		(311,464)	(47,607)
Investment in an associate	4	(4,968,577)	-
Net cash flows used in investing activities		(5,111,769)	(2,203,712)
FINANCING ACTIVITIES			
Dividends paid	9	(6,002,715)	(6,224,331)
Movement in bank balances representing unclaimed dividends		(327,813)	52,507
Term loan obtained / (repaid), net		4,500,000	(429,950)
Finance costs paid		(357,382)	(356,247)
Net cash flows used in financing activities		(2,187,910)	(6,958,021)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,662,144)	(3,744,431)
Cash and cash equivalents at 1 January		6,708,848	7,095,880
CASH AND CASH EQUIVALENTS AT 30 JUNE	6	2,046,704	3,351,449

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Seef Properties B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 (Reviewed)

	<i>Equity attributable to equity holders of the parent</i>							
	<i>Note</i>	<i>Share capital BD</i>	<i>Statutory reserve BD</i>	<i>Furniture and fixtures replacement reserve BD</i>	<i>Retained earnings* BD</i>	<i>Total BD</i>	<i>Non- controlling interests BD</i>	<i>Total equity BD</i>
Balance as at 1 January 2020		46,000,000	22,510,000	246,521	85,785,439	154,541,960	3,821,242	158,363,202
Total comprehensive income		-	-	-	2,708,524	2,708,524	58,577	2,767,101
Dividends declared for 2019	8	-	-	-	(6,900,000)	(6,900,000)	-	(6,900,000)
Transfer to furniture and fixtures replacement reserve		-	-	12,860	(12,860)	-	-	-
Utilisation of furniture and fixtures replacement reserve		-	-	(38,864)	-	(38,864)	-	(38,864)
Balance as at 30 June 2020		46,000,000	22,510,000	220,517	81,581,103	150,311,620	3,879,819	154,191,439
Balance as at 1 January 2019		46,000,000	21,410,000	303,730	82,826,088	150,539,818	3,649,293	154,189,111
Total comprehensive income		-	-	-	4,721,113	4,721,113	137,587	4,858,700
Dividends declared for 2018	8	-	-	-	(6,900,000)	(6,900,000)	(92,400)	(6,992,400)
Transfer to furniture and fixtures replacement reserve		-	-	30,849	(30,849)	-	-	-
Utilisation of furniture and fixtures replacement reserve		-	-	(19,604)	-	(19,604)	-	(19,604)
Balance as at 30 June 2019		46,000,000	21,410,000	314,975	80,616,352	148,341,327	3,694,480	152,035,807

*Retained earnings include BD 595,969 (2019: BD 595,969) relating to statutory reserve of the subsidiaries.

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Seef Properties B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (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 Building 2102, Road 2825, Block 428, P O Box 20084, Seef District, Kingdom of Bahrain.

The Company and its subsidiaries are collectively referred to as the (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, Seef Entertainment and other commercial facilities in the Kingdom of Bahrain.

During the six-month period ended 30 June 2020, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. Authorities have taken various measures to contain the spread and announced various support measures to counter possible adverse implications. The Group has recognised a reduction of expense related to the assistance provided by the Government of the Kingdom of Bahrain. The Group has been closely monitoring the latest developments in the current evolving situation. Although these developments caused disruptions in the Group's operations as of 30 June 2020, the scale and duration of these developments remain uncertain at this stage. The Group has considered the potential impacts of the current economic volatility in determining the reported amounts of the Group's financial and non – financial assets and liabilities as at 30 June 2020. However, market remains volatile and the recorded amounts remain sensitive to market fluctuations, the extent of which is presently undeterminable.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 10 August 2020.

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
	2020	2019	
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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 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 2019. In addition, results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

As at 30 June 2020, the current liabilities of the Group exceeds its current assets by BD 2,906,018. Management of the Group have assessed the Group's financial position and based on such assessment, including a cashflow analysis prepared for a period of 12 months, is confident that the Group would be able to generate sufficient cashflows from operations to repay its obligations in the foreseeable future. The Group also plans to renegotiate the repayment terms of its loans and raise further financing, if needed. Based on the above, these interim condensed consolidated financial statements have been prepared on a going concern basis.

New and amended standards and interpretations adopted as on 1 January 2020

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 2019, except for the new standards and interpretations and amendments to standards and interpretations effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The new standards, interpretations and amendments which apply for the first time in 2020, do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Amendments to IAS 1 and IAS 8: Definition of Material (continued)**

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Government assistance amounting to BD 550,741 thousand is recorded in profit or loss during the current period. The amount was recorded as a deduction from related expenses in interim consolidated statement of income.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The significant accounting judgements and estimates used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

3 INVESTMENT PROPERTIES

Investment properties of BD 22,815,603 are constructed on land held as right-of-use asset.

4 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

	30 June 2020 Reviewed BD	31 December 2019 Audited BD
Balance at the beginning of the period / year	18,861,526	18,922,919
Addition during the period / year	4,968,577	-
Share of (loss) / profit during the period / year	(3,180)	203,607
Other adjustments	(45,000)	(265,000)
Balance at the end of the period / year	23,781,923	18,861,526

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

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

The share of results of associate and joint venture are recorded based on the approved management accounts for the six-month period ended 30 June 2020.

The joint venture had no material contingent liabilities or capital commitments as at 30 June 2020 and 31 December 2019.

5 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>Compactors BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
As at 1 January 2020	2,089,612	20,370	329	2,110,311
Depreciation for the period	(30,580)	(8,148)	(329)	(39,057)
As at 30 June 2020	<u>2,059,032</u>	<u>12,222</u>	<u>-</u>	<u>2,071,254</u>
	<i>Land BD</i>	<i>Compactors BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
As at 1 January 2019	2,150,771	-	2,303	2,153,074
Additions during the year	-	32,592	-	32,592
Depreciation for the year	(61,159)	(12,222)	(1,974)	(75,355)
As at 31 December 2019	<u>2,089,612</u>	<u>20,370</u>	<u>329</u>	<u>2,110,311</u>

6 BANK BALANCES AND CASH

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	30 June 2020 Reviewed BD	<i>31 December 2019 Audited BD</i>	<i>30 June 2019 Reviewed BD</i>
Cash on hand, bank balances and term deposits	5,719,887	10,350,468	6,235,389
less: Term deposits with original maturity of more than three months	(2,503,750)	(2,800,000)	(2,167,044)
Bank balances representing unclaimed dividends*	(1,169,433)	(841,620)	(716,896)
	<u>2,046,704</u>	<u>6,708,848</u>	<u>3,351,449</u>

The bank balances are held in commercial banks in the Kingdom of Bahrain and are non-profit bearing. The term deposits are placed for varying periods ranging between one month to one year. As at 30 June 2020, the term deposits carry a profit rate of 3.00% (31 December 2019: 3.5% to 3.6%).

* Refer to note 9 for details of unclaimed dividends.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

7 LEASE LIABILITY

The lease liability balance represents the present value of future lease payments for a leasehold land, leased motor vehicles and leased compactors which end in February 2054, February 2020 and March 2021 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 payments for the leased compactors are discounted at 3.2% per annum.

The movement of the lease liability is as follows:

	<i>Leasehold land BD</i>	<i>Leasehold compactors BD</i>	<i>Leasehold motor vehicles BD</i>	<i>Total BD</i>
Balance at 1 January 2020	2,511,372	20,612	351	2,532,335
Lease payments during the period	(125,000)	(8,399)	(351)	(133,750)
Interest during the period	120,197	254	-	120,451
Balance at 30 June 2020	<u>2,506,569</u>	<u>12,467</u>	<u>-</u>	<u>2,519,036</u>

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

	<i>Leasehold land BD</i>	<i>Leasehold compactors BD</i>	<i>Leasehold motor vehicles BD</i>	<i>Total BD</i>
Current	10,327	12,467	-	22,794
Non-current	2,496,242	-	-	2,496,242
	<u>2,506,569</u>	<u>12,467</u>	<u>-</u>	<u>2,519,036</u>

31 December 2019:

	<i>Leasehold land BD</i>	<i>Leasehold compactors BD</i>	<i>Leasehold motor vehicles BD</i>	<i>Total BD</i>
Balance at 1 January 2019	2,520,312	-	2,408	2,522,720
Additions during the year	-	32,592	-	32,592
Lease payments during the year	(250,000)	(12,601)	(2,100)	(264,701)
Finance costs during the year	241,060	621	43	241,724
Balance at 31 December 2019	<u>2,511,372</u>	<u>20,612</u>	<u>351</u>	<u>2,532,335</u>

	<i>Leasehold land BD</i>	<i>Leasehold compactors BD</i>	<i>Leasehold motor vehicles BD</i>	<i>Total BD</i>
Current	9,842	16,424	351	26,617
Non-current	2,501,530	4,188	-	2,505,718
	<u>2,511,372</u>	<u>20,612</u>	<u>351</u>	<u>2,532,335</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

8 DIVIDENDS DECLARED

At the Annual General Meeting held on 25 March 2020, the Company's shareholders approved to pay a final dividend of BD 0.015 per share totaling BD 6,900,000 relating to 2019.

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 totaling BD 6,900,000 relating to 2018.

9 UNCLAIMED DIVIDENDS

	30 June 2020 Reviewed BD	<i>31 December 2019 Audited BD</i>	<i>30 June 2019 Reviewed BD</i>
Balance at the beginning of the period / year	3,591,979	3,157,755	3,157,755
Dividends declared (note 8)	6,900,000	6,900,000	6,900,000
Dividends relating to non-controlling interest of a subsidiary	-	92,400	92,400
Dividends paid	(6,002,715)	(6,558,176)	(6,224,331)
Balance at the end of the period / year	4,489,264	3,591,979	3,925,824

10 EARNINGS PER SHARE

	<i>For the six months ended</i>	
	30 June 2020 Reviewed	<i>30 June 2019 Reviewed</i>
Profit attributable to equity holders of the parent for the period – BD	2,708,524	4,721,113
Weighted average number of shares outstanding	460,000,000	460,000,000
Basic and diluted earnings per share	5.89 Fils	10.26 Fils

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

11 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

The Group's 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:

	30 June 2020 Reviewed BD	<i>31 December 2019 Audited BD</i>
Seef Mall, Isa Town Mall and Magic Island renovation works	450,363	747,341
Muharraq Mall Co. W.L.L.	2,400	13,351
Binaa Al Bahrain B.S.C. (c)	-	4,968,577
Lama Real Estate W.L.L.	15,924,997	23,861,717
	16,377,760	29,590,986

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

11 COMMITMENTS AND CONTINGENCIES (continued)

b) Other commitments

Muharraq Mall Co. W.L.L. is contracted to pay a royalty charge of 2.75% (2019: 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 subject to legal claims. The Group has provided for certain claims relating to employees.

d) Guarantee

The Company, along with a 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 30 June 2020, the loan has a carrying value of BD 6,608,044 (31 December 2019: BD 6,608,044).

12 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

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 30 June 2020 (Reviewed)

12 SEGMENT INFORMATION (continued)

	<i>Malls and properties</i>		<i>Serviced apartments</i>		<i>Leisure and entertainment</i>		<i>Others</i>		<i>Elimination</i>		<i>Consolidated</i>	
	<i>Six months ended</i>		<i>Six months ended</i>		<i>Six months ended</i>		<i>Six months ended</i>		<i>Six months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>		<i>30 June</i>		<i>30 June</i>		<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Income from external operations	5,005,942	6,645,336	428,666	1,028,315	259,900	872,114	-	-	-	-	5,694,508	8,545,765
Inter-segment income	140,805	130,078	-	-	-	-	-	-	(140,805)	(130,078)	-	-
Less: cost of sale	487,969	714,523	167,855	309,572	356,364	484,407	-	-	(140,805)	(130,078)	871,383	1,378,424
GROSS PROFIT	4,658,778	6,060,891	260,811	718,743	(96,464)	387,707	-	-	-	-	4,823,125	7,167,341
Other operating income	-	-	-	-	6,178	7,445	462,790	545,642	-	-	468,968	553,087
Profit on term deposits	-	-	-	-	11,506	-	26,356	68,071	-	-	37,862	68,071
OPERATING PROFIT	4,658,778	6,060,891	260,811	718,743	(78,780)	395,152	489,146	613,713	-	-	5,329,955	7,788,499
EXPENSES												
General and administrative expenses	1,157,639	1,449,194	71,911	181,821	17,309	53,463	-	-	-	-	1,246,859	1,684,478
Depreciation	151,642	159,707	18,445	39,749	165,682	165,837	-	-	-	-	335,769	365,293
Other expenses	400,000	400,000	-	-	-	-	-	-	-	-	400,000	400,000
Provision for expected credit losses	232,963	134,167	-	-	-	-	-	-	-	-	232,963	134,167
Finance costs	344,083	346,902	-	-	-	-	-	-	-	-	344,083	346,902
	2,286,327	2,489,970	90,356	221,570	182,991	219,300	-	-	-	-	2,559,674	2,930,840
PROFIT BEFORE SHARE OF PROFIT OF A JOINT VENTURE	2,372,451	3,570,921	170,455	497,173	(261,771)	175,852	489,146	613,713	-	-	2,770,281	4,857,659
Share of (loss) profit from a joint venture	(3,180)	1,041	-	-	-	-	-	-	-	-	(3,180)	1,041
Segment profit for the period	2,369,271	3,571,962	170,455	497,173	(261,771)	175,852	489,146	613,713	-	-	2,767,101	4,858,700
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>	<i>Audited</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Total assets	165,299,204	163,465,440	11,135,658	12,152,146	1,916,002	2,205,777	-	-	(3,003,311)	(3,500,876)	175,347,553	174,322,487
Total liabilities	20,812,169	15,434,321	3,254,994	3,905,911	92,262	119,929	-	-	(3,003,311)	(3,500,876)	21,156,114	15,959,285

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

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13 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:

	30 June 2020 Reviewed BD	<i>31 December 2019 Audited BD</i>
Lama Real Estate W.L.L.	80,945	579,172

Compensation of key management personnel

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

	<i>For the six months ended</i>	
	30 June 2020 Reviewed BD	<i>30 June 2019 Reviewed BD</i>
Directors' remuneration	230,000	230,000
Short-term benefits	88,850	84,850
End of service benefits	2,733	2,400
	321,583	317,250

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 six months ended 30 June 2020, the Group has not recorded any impairment of amounts owed by related parties (30 June 2019: nil).

14 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, lease liabilities, unclaimed dividends payable and term loan which are carried at amortised cost. There were no liabilities measured at fair value as of 30 June 2020 and 31 December 2019.

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

Term loans, lease liabilities are evaluated by the Group based on parameters such as interest rates. As at 30 June 2020 and as at 31 December 2019, the carrying amounts are not materially different from their fair values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2020 (Reviewed)

14 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 assets measured at fair value at 31 December:

		<i>Fair value measurement using</i>			
	<i>Date of valuation</i>	<i>Quoted prices in active markets (Level 1) BD</i>	<i>Significant observable inputs (Level 2) BD</i>	<i>Significant unobservable inputs (Level 3) BD</i>	<i>Total BD</i>
30 June 2020					
Assets measured at fair value					
Investment properties	30 June 2020	-	-	138,158,318	138,158,318

		<i>Fair value measurement using</i>			
	<i>Date of valuation</i>	<i>Quoted prices in active markets (Level 1) BD</i>	<i>Significant observable inputs (Level 2) BD</i>	<i>Significant unobservable inputs (Level 3) BD</i>	<i>Total BD</i>
31 December 2019					
Assets measured at fair value					
Investment properties	31 December 2019	-	-	137,846,854	137,846,854

The fair values of the investment properties have been determined by the Group based on valuations performed by independent surveyors as at 30 June 2020. 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 valuations undertaken were based on income yield capitalisation or discounted cash flow method.

During the reporting periods ended 30 June 2020 and 30 June 2019 and year ended 31 December 2019, there were no transfers within the levels of fair value hierarchy.