

Seef Properties B.S.C.

**CONSOLIDATED
FINANCIAL STATEMENTS**

31 DECEMBER 2014

CORPORATE GOVERNANCE

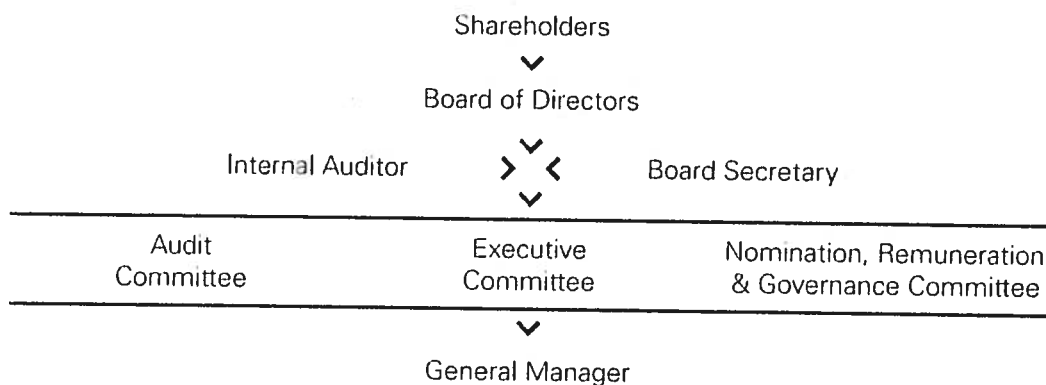
INTRODUCTION:

The Company has in place a policy of benchmarking against established best practice in the field of corporate governance. The Board has adopted core values and standards which set out the behaviours expected of staff in their dealings with shareholders, tenants, colleagues, agents, business partners and other stakeholders of the Company. One of the core values communicated within the Company is the belief that a high standard of integrity is essential in business conduct.

The Company has adopted its corporate governance document in accordance with the corporate governance code issued in Bahrain and is committed to corporate governance of highest standards.

The Company has substantially complied with the new Corporate Governance Code including assessment of the board its committees and individual directors with respect to their effectiveness and contribution and our corporate governance practices have further strengthened significantly.

THE GOVERNANCE STRUCTURE AT THE COMPANY IS AS FOLLOWS:



OWNERSHIP:

The Company is owned by a shareholding structure as detailed in Note 11 to the financial statements. No shares are held or owned by management members or their dependents.

THE BOARD:

The Company is governed through its Board of Directors. The Board's main roles are to create values for shareholders, to provide entrepreneurial and competitive leadership of the Company, to approve the Company's strategic objectives and to ensure that the necessary financial and other resources are made available to meet those objectives.

Following the election at the Company's Annual General Meeting held on 31 March 2013, the current board of directors has taken charge from 1 April 2013. The Board meets at least four times in a calendar year and has a schedule of matters reserved for its review, discussion and approval. Specific responsibilities of the Board include review of the Company's strategy, approval of annual budgets, review of periodic operating and financial performance and other matters of a corporate nature.

BOARD COMMITTEES:

The Board has set up various committees with terms of reference and specific carry out the assigned functions. Areas responsibilities and functioning are for each of these committees that members within the Board who are experienced in relevant fields.

2. EXECUTIVE COMMITTEE;

- a. Mr. Sattam Sulaiman Algozaibi
Chairman
- b. Mr. Saqer Shaheen Saqer
Member
- c. Mr. Abduljalil Mohamed Janahi

3. NOMINATION, REMUNERATION & GOVERNANCE COMMITTEE;

- a. Mr. Essa Mohamed Najibi
Chairman
- b. Ms. May Khalifa Showaiter
Member
- c. Dr. Mustafa Ali Alsayed
Member

mandates to of clearly defined consist of competent and

1. AUDIT COMMITTEE;

- a. Mr. Yusuf Ahmed Alhammadi
Chairman
- b. Mr. Ahmed Yusuf Abdulla
Member
- c. Mr. Anwar Abdulla Ghuloom
Member

PROFILE OF BOARD MEMBERS AND EXECUTIVE MANAGEMENT

The members of the Board, who are either nominated by the shareholding institution or elected at the Annual General Meeting, provide their experience and expertise to manage the operations of the Company. Following is a summary profile of the Company's Board members.

1. Mr. Essa Mohamed Najibi

- Office held:** Chairman - Seef Properties B.S.C.
- Educational qualification:** ▶ BSc in Civil Engineering
- Experience:** ▶ Founding member, Vice-Chairman and Managing Director, Najibi Investment Co.,
- Other offices / directorships held:** ▶ Chairman and Managing Director: Al-Souq Real Estate Co.,
▶ Chairman and Managing Director: United Commercial Services Co.,
▶ Trustee, Managing Director and Chairman of Executive Committee- Royal University for Women,
▶ Board member - The Malls Co.,
▶ Board member - Tulips Real Estate Co.,
▶ Board member - Lona Real Estate Co.,
▶ Board member - Crown Industries Co.,
▶ Board member - Bahrain Scrapmould Co.,
▶ Director - Bahrain International Travel WLL.,
▶ Director - Worlddecor WLL.,
▶ Director - Middle East Traders.

2. Mr. Saqer Shaheen Saqer

- Office held:** Vice Chairman - Seef Properties B.S.C.
- Educational qualification:** ▶ Master of Science in Industrial and System Engineering, University of Miami, Florida, U.S.A, May 1984.
- Experience:** ▶ Director, Industrial Development - Ministry of Industry & Commerce. 1990-1996
▶ Head, Strategic Planning - Ministry of Development & Industry. 1986-1990
- Other offices / directorships held:** ▶ CEO & Managing Director - Awal Products Co. SPC
▶ CEO & Managing Director - Gulf Services Co SPC
▶ CEO & Managing Director - Gypsum Products
▶ Chairman-Hilti Bahrain W.L.L
▶ Executive Director-Abrasive Technology Industries Co. (K.S.A)
▶ Chairman-Asmak B.S.C.(Closed) Company
▶ Vice Chairman-LMRA
▶ Board Member-Bahrain Development Bank
▶ Board Member-Naseej B.S.C ©
▶ Board Member-Marina Club Bahrain
▶ CEO & MD - Shaheen Electro-Mechanical Co (SEMCO)
▶ Board Member - Amlak

3. Mr. Sattam Sulaiman Algozaibi

- Office held:** ▶ Director - Seef Properties B.S.C.
- Educational qualification:** ▶ B.Sc in Accounting, King Fahad University for Petroleum & Minerals, Saudi Arabia;

- Experience:**
- MBA, DePaul University
 - Saudi British Bank, Saudi Arabia - 1997-2000
 - Al-Baraka Islamic Bank, Bahrain - 2000 - 2004
 - Kuwait Finance House, Bahrain - 2004- Present
- Other offices / directorships held:**
- Executive Manager, Head of Corporate Banking Group
Kuwait Finance House, Bahrain
 - Director-Miracle Graphics W.L.L
 - Director-Diyar Al Muharaq W.L.L

4. Mr. Abduljalil Mohamed Janahi

- Office held:** Director - Seef Properties B.S.C.
- Educational qualification:**
- Master of Science: in Civil Engineering / Construction management.
USA, 1999
 - Bachelor of Science: Civil Engineering, Gulf Polytechnic -
Bahrain University, 1985
 - Diploma: Building management - City & Guilds of London Institute, 1982
- Experience:**
- 8 years - Projects Manager, Kuwait Finance House
 - 6 years - Projects & Development Manager, Seef Properties
 - 13 years - Senior/Civil Engineer, Ministry of Housing
 - 2 years - Civil Engineer, Pan-Arab Consulting Engineers
- Other offices / directorships held:**
- Senior Projects Manager - Kuwait Finance House, Bahrain
 - Director - Diyar Al-Muharraq Co.,

5. Mr. Yusuf Ahmed Alhammadi

- Office held:** Director - Seef Properties B.S.C.
- Educational qualification:**
- MBA - University of Bahrain
- Experience:**
- 2002 to date: Chief Financial Officer-Kuwait Finance House, Bahrain.
 - 1990-2002 : Resident Vice-President / Deputy Financial Controller -
Citibank, Bahrain
- Other offices / directorships held:**
- Board member - Motherwell Group Ltd.,

6. Dr. Mustafa Ali Alsayed

- Office held:** Director - Seef Properties B.S.C.
- Educational qualification:**
- Ph.D - Industrial Management, UK
 - M.Sc - Industrial Management, Ireland
 - B.Sc - Mechanical Engineering, UK
- Experience:**
- Over 35 years as,
- Chief Executive, Bahrain Petroleum Co. (BAPCO)
 - Chief Engineer, Ministry of Works, Power & Water
 - Chief Executive, Midal Cables Ltd.,
 - General Manager, Gulf Petro-Chemical Industries Co.,
- Other offices / directorships held:**
- Secretary General, The Royal Charity Organization
 - Board member - Nass Corporation
 - Board member - National Oil & Gas Authority
 - Board member - Family Bank
 - Board member - Bahrain Health & Safety Society
 - Board member - National Oil & Gas Holding Co.

7. Ms. May Khalifa Showaiter

- Office held:** Director - Seef Properties B.S.C.
- Educational qualification:**
- CIA-The Chartered Institute of Arbitrators. UK, 2009.
 - Post Graduate Diploma: in International Law &
Diplomatic Studies. Beirut Arab University-College of Law, 2006.
 - B.Sc. in Law: Beirut Arab University-College of Law, 2000

- Experience:**
- ▶ 6 years : Co-founder and managing partner, Trust Partners Law Firm
 - ▶ 5 years-Founder of the firm, May Showaiter law firm
 - ▶ 3 years-Lawyer, Abdulla Hashim law firm
- Other offices / directorships held:**
- ▶ Director, Khalifa Rashid Showaiter & Sons Co. W.L.L

8. Mr. Anwar Abdulla Ghuloom

- Office held:** Director - Seef Properties B.S.C.
- Educational qualification:**
- ▶ B.Sc. in Accounting from Al Azhar University 1981
 - ▶ AAT. Association of Accounting Technician, UK 1989
 - ▶ ACPA. Arab Certified Public Accountant, 1995
 - ▶ CIPA, Certified Islamic Public Accountant, 2007
 - ▶ GEDD, Gulf Executive Development Diploma, Virginia, USA 2000
- Experience:**
- ▶ 5 years- Accountant in Follow Up Bureau for GCC countries
 - ▶ 4 years- Financial Analyst, Ministry of Finance
 - ▶ 4 years- Fixed Assets Accountant, Batelco.
 - ▶ 17 years - Head of Civil Fund Accounts, Director of Pension Rights, and Director of Contribution& Revenues, Social Insurance Organization and Head of Financial Affairs in Military Pension Fund.
- Other offices / directorships held:**
- ▶ Member of BOD in Security Investment Company (SICO)

9. Mr. Ahmed Yusuf Abdulla

- Office held:** Director - Seef Properties B.S.C.
- Educational qualification:**
- ▶ B.Sc.- Civil Engineering, Kuwait University, 1994
- Experience:**
- ▶ Currently Senior Director-Edamah Real Estate Company
 - ▶ 6 years-CEO, Abaad Real Estate Company
 - ▶ 2 years-Projects Development Manager, Gulf Development Real Estate Company
 - ▶ 4 years-Property Manager, Salhiya Real Estate Company
 - ▶ 2 years-Projects Manager, Kuwait Hotels Company
 - ▶ 5 years-Projects Engineer, Kuwait University

- Other offices / Directorships held:**
- ▶ Board member of Southern Area Development Co (SADC)

10. Mr. Hesham Abdulrahman Alrayyes

- Office held:** Director - Seef Properties B.S.C.
- Educational qualification:**
- ▶ Member of RICS, UK Awarded in 2004.
 - ▶ Member of COEPP, Bahrain
 - ▶ Bachelor Degree in Quantity Surveying Portsmouth Polytechnic University, UK 2nd July 1991
- Experience:**
- ▶ Chief Executive Officer, HAJ Office
 - ▶ Managing Director, HAJ Office
 - ▶ Quantity Surveyor, D.G.Jones and Partners, Bahrain
- Other offices / Directorships held:**
- ▶ Vice President - Sunni Wafq Directorate
 - ▶ Member - Shk. Essa Bin Salman Al Khalifa Educational Trust

11. Mr. Robert Addison

- Office held:** General Manager - Seef Properties B.S.C.
- Educational qualification:**
- ▶ Dip. Estate Management; ARICS, FRICS
- Experience:**
- ▶ Over 30 years' experience in Real Estate Investment Management throughout Europe and the Middle East. Previously a Partner with Cluttons, Cushman and Wakefield, Donaldsons and DTZ.

BOARD AND COMMITTEE MEETINGS

During the period from 1 January 2014 up to 31 December 2014, the members of the Board have attended meetings to discuss and approve various issues as per agreed agenda. A summary of meetings held during this period and attendance of various members is provided below:

BOD	Board	Committees		
		Audit	NRGC	EXCOM
Number of Meetings held between Jan 14 to Dec 14	4	4	6	9
Attendance:				
Mr. Essa Mohamed Najibi	4		6	
Mr. Saqer Shaheen Saqer	4			9
Dr. Mustafa Ali Alsayed	4		6	
Mr. Sattam Sulaiman Algosaiibi	4			9
Mr. Yusuf Ahmed Alhammadi	4	4		
Mr. Abduljalil Mohamed Janahi	4			9
Mr. Hesham Abdulrahman Alrayyes	4			
Ms. May Khalifa Showaiter	4		6	
Mr. Anwar Abdulla Ghuloom	4	4		
Mr. Ahmed Yusuf Abdulla	3	3		

REMUNERATIONS:

As required to be reported under Bahrain Commercial Companies Law 2001, Decree no. 21 of 2001, during the year under review an amount of BD 226,035 (2013: BD 200,400) was paid as remuneration to directors and attendance allowances to members.

CODE OF CONDUCT:

The Company's Code of Conduct covers conduct of Company's directors, executive management and staff. The Code binds the signatories to highest standards of professionalism and due diligence in performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information.

KEY PERSONS DEALING POLICIES:

Members of the Board of Directors and identified Key Persons are bound by specific regulations relating to Key Persons Dealing Policies and are required to disclose details of their shareholding in the Company. The Company's compliance with latest insider trading regulations issued by the Central Bank of Bahrain is supervised by the Audit Committee reporting to the Board of Directors. During 2014, all relevant procedures were reviewed and updated where necessary.

The Company has combined the Compliance Officer role with other suitable positions.

ANTI-MONEY LAUNDERING:

The Company has not come across any suspicious transactions that could be related to money-laundering or terrorism financing.

RISK MANAGEMENT STRATEGIES AND POLICIES:

Risk management is essentially about identifying, monitoring and controlling all material risks that the organisation could be subjected to in its ordinary course of operations. The main types of risks faced by the Company are credit, liquidity, market, technical and operational including outsourcing risks. The risks could be related to investments or corporate and may be internal or external to the operations of the Company. These are detailed in Note 26 to the financial statements.

The Company identifies, assesses, monitors, controls and manages the various risks on an ongoing basis and has relevant procedures and controls as are appropriate and commensurate to the nature, scale and complexity of its business operations. The Executive Committee monitors the investment portfolio and the risks involved and takes proactive measures to mitigate the risks.

Internal control risks are controlled by having effective and adequate internal control systems in place which are tested on a regular basis. The Audit Committee is charged with the responsibility of ensuring that adequate internal controls are in place to mitigate any existing or potential risks.

INTERNAL CONTROL:

The Directors review the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and the Company's high-level internal control arrangements. These reviews have included an assessment of internal controls, and in particular internal financial controls, by the internal audit function, management assurance of the maintenance of controls and reports from the external auditor on matters identified in the course of its statutory audit work.

FINES AND PENALTIES:

The Company did not pay any fines and penalties to any governmental and regulatory agencies during the year under review.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it gives me great pleasure to present the 5th Annual Report of the Seef Properties Company BSC for the year ended 31st December 2014.

We are pleased to announce sound financial results and operating performance across our operations. For the year ended 2014, Seef Properties reported Gross Revenues of BD12.52M and Net Profit of BD 10.82M, an increase of 2.7% and 7.9% respectively against the year ended 2013.

The Company ended the year with a strong balance sheet; as of 31 December 2014, Seef Properties continues to be debt free and had significant cash & bank balances with total assets of BD 136.72M, an increase of 5.0% YoY.

This Report highlights the main progress we have made with a number of initiatives this year including a full and exciting renovation of Magic Island and completion of the external restaurant project at Seef Mall, Seef. In addition, we are extremely excited about 2015 which will see the launch of Seef Mall Muharraq,

FINANCIAL AND PERFORMANCE HIGHLIGHTS

I am pleased to present to you with an excellent report of our performance and our results reflect another successful year ended 31 December 2014. We have again delivered significant growth.

The consolidated group net profit after considering the valuation reserve was BD 10.82 million compared to BD 10.02 million in 2013 an upward of 7.9%.

Our operating revenues grew from BD12.19 million in 2013 to BD12.52 million in 2014, an increase of 2.7%. The earnings totaled BD 7.28 million as compared to BD7.12 million in 2013, an increase of 2.2%. Further evidence of the recovering economy was shown in the performance of our serviced apartments managed by Fraser Suites where revenue increased by 14.8%. The improvement in our earnings is reflected in an increase in group operating profit plus investment property value by BD3.54 million.

The company's principal sources of revenue are derived from rental revenue from our investment assets, plus our Hospitality and Leisure Businesses. Increasing footfall and demand for retail space in our prime asset, Seef Mall, shows that the property remains an attractive destination for customers and tenants.

Our decision to invest in Muharraq Mall looks as though it will produce significant profits for the Company. The Mall which opened in January 2015, fully leased and we are now actively pursuing further similar opportunities. My Board and Management are focused on being able to deliver strong growth and profits for our Shareholders.

Based on the financial results and in accordance with Bahrain Commercial Companies Law 2001, BD 1.08 million has been transferred to the Statutory Reserve.



Total shareholders' equity after appropriation of the Statutory Reserve is BD 130.06 million compared with BD 123.86 million in 2013.

The Board is recommending the following for approval by the shareholders:

Proposed Dividend	BD 5,060,000/-
Director's remuneration	BD 210,500/-
Charity	BD 165,000/-

MOVING FORWARD IN CONFIDENCE

Our success over the years reflects the strength of our mission, people, values and culture. We are firmly focused on our goal to drive shareholder value through strengthening our business going forward. Our focus on delivering an unsurpassed experience for our customers and shareholders ensured that in spite of economic and competitive pressures we still achieve highest industry standard performance, best practice and increasing market share in a competitive environment.

2015 will witness the official opening of Seef Mall Muharraq, a significant investment and the first major step in achieving our strategic plan. We will implement further plans during the course of this year either by acquisition or further development.

Our people are our main asset and the Company will reassess its organizational structure, vocational & training programs and incentive plans. There will be many initiatives to enhance the Corporate Development of Seef Properties.

Responsibility towards Community

Beyond our focus on business and financial performance, we are also committed to helping individuals and societies that fall within the parameters of our Corporate Social Responsibility Programme. Seef Properties continues to allocate funds or provide facilities for deserving causes in a way that reflects its standing in the business community.

Word of Appreciation

During the past financial year, we have benefited from the guidance of our shareholders, investors and board of directors. We appreciate our shareholders' strong support and confidence in backing our Company strategy.

In closing, I would like to extend my gratitude and appreciation to all of our dedicated, loyal and hard-working employees, our tenants and our customers for their continued guidance and on-going faith in our company. I would like to thank all the stakeholders for their on-going sterling support over the past 12 months. I look forward to working with them in growing the Seef Properties to even greater heights in the years ahead



On behalf of my fellow Directors, I wish to extend our appreciation to His Majesty, King Hamad bin Isa Al Khalifa, His Royal Highness Prince Khalifa bin Salman Al Khalifa, The Prime Minister, His Royal Highness, Prince Salman bin Hamad Al Khalifa, the Crown Prince and Deputy Prime Minister, Government, Ministries, officials and institutions. Their support and assistance is greatly appreciated.

A handwritten signature in black ink, appearing to read "Essa Mohamed Najibi". The signature is fluid and cursive, with a long horizontal stroke at the end.

Essa Mohamed Najibi

Chairman

22 February 2015

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Seef Properties B.S.C. ('the Company') and its subsidiary (together 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

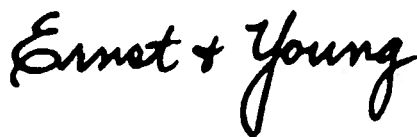
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SEEF PROPERTIES B.S.C. (continued)**

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law, we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith; and
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2014 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.




Partner's Registration No. 115
22 February 2015
Manama, Kingdom of Bahrain


Seef Properties B.S.C.

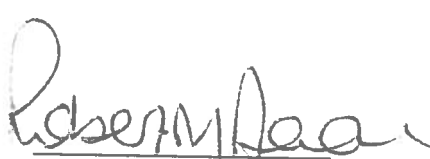
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

ASSETS	Note	2014 BD	2013 BD
Non-current assets			
Furniture, equipment and vehicles	5	3,294,951	1,212,894
Capital work-in-progress	6	1,784,805	425,720
Investment properties	7	108,183,500	104,347,000
Investment in joint venture	8	5,104,068	5,256,264
		<u>118,367,324</u>	<u>111,241,878</u>
Current assets			
Trade and other receivables	9	1,456,912	965,548
Cash and bank balances	10	16,892,945	17,985,456
		<u>18,349,857</u>	<u>18,951,004</u>
TOTAL ASSETS		<u><u>136,717,181</u></u>	<u><u>130,192,882</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	46,000,000	46,000,000
Statutory reserve	12	17,125,000	16,043,000
Furniture and fixtures replacement reserve	13	149,963	143,610
Retained earnings		66,783,112	61,675,256
Total equity		<u>130,058,075</u>	<u>123,861,866</u>
Non-current liability			
Employees' end of service benefits	15	214,519	205,762
Current liabilities			
Unclaimed dividends	16	4,658,763	4,457,975
Accounts and other payables	17	1,785,824	1,667,279
		<u>6,444,587</u>	<u>6,125,254</u>
Total liabilities		<u>6,659,106</u>	<u>6,331,016</u>
TOTAL EQUITY AND LIABILITIES		<u><u>136,717,181</u></u>	<u><u>130,192,882</u></u>


Essa Mohamed Najibi
Chairman


Sager Shaheen Sager
Vice Chairman


Robert Addison
General Manager

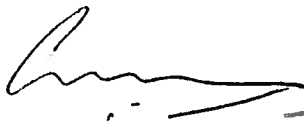
The attached notes 1 to 27 form part of these consolidated financial statements.


Seef Properties B.S.C.

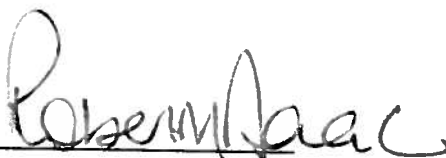
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 BD	2013 BD
Income			
Property rental income and service charges		9,252,675	8,800,740
Income from serviced apartments		2,364,990	2,060,780
Leisure and recreational income		899,064	1,323,630
		12,516,729	12,185,150
Less: cost of sales	18	2,406,030	2,448,846
Gross profit		10,110,699	9,736,304
Other operating income	19	1,047,720	1,006,940
Profit on term deposits		402,246	410,657
Operating profit		11,560,665	11,153,901
Expenses			
Staff costs	20	1,591,375	1,659,733
General, administration, marketing and advertisement	21	1,702,156	1,481,795
Depreciation	5	551,193	484,903
Directors' remuneration		198,000	172,500
Donations and charitable contributions		160,000	150,000
Provision for doubtful debts	9	52,000	78,770
		4,254,724	4,027,701
Unrealised fair value gain on investment properties	7	3,536,405	2,899,746
Share of net loss from joint venture	8	(22,857)	(1,501)
		3,513,548	2,898,245
NET PROFIT AND			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,819,489	10,024,445
Basic and diluted earnings per share (fils)	22	23.52	21.79


Essa Mohamed Najibi
Chairman


Sager Shaheen Sager
Vice Chairman


Robert Addison
General Manager

The attached notes 1 to 27 form part of these consolidated financial statements.

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 BD	2013 BD
OPERATING ACTIVITIES			
Profit for the year		10,819,489	10,024,445
Adjustments for:			
Depreciation	5	709,202	696,877
Loss on disposal of furniture, equipment and vehicles		36,324	443
Write-back of accruals no longer payable	19	(34,499)	(46,288)
Profit on term deposits		(402,246)	(410,657)
Directors' remuneration	25	198,000	172,500
Donations and charitable contributions		160,000	150,000
Provision for doubtful debts	9	52,000	78,770
Provision for employees' end of service benefits	15	58,547	48,398
Unrealised fair value gain on investment properties	7	(3,536,405)	(2,899,746)
Elimination of intercompany charges		129,339	64,007
Share of net loss from joint venture	8	22,857	1,501
Operating profit before working capital changes		<u>8,212,608</u>	<u>7,880,250</u>
Working capital changes:			
Trade and other receivables		(641,558)	(71,005)
Accounts and other payables		198,955	124,574
		<u>7,770,005</u>	<u>7,933,819</u>
Direct utilisation of furniture and fixtures replacement reserve		(23,280)	(4,795)
Employees' end of service benefits paid	15	(49,790)	(5,595)
Directors' remuneration paid		(198,000)	(172,500)
Donations and charitable contributions paid		(205,911)	(100,903)
Net cash flows from operating activities		<u>7,293,024</u>	<u>7,650,026</u>
INVESTING ACTIVITIES			
Purchase of furniture, equipment and vehicles	5	(2,657,504)	(220,988)
Proceeds from disposal of furniture, equipment and vehicles		58,899	-
Expenditure incurred on capital work-in-progress	6	(1,734,153)	(379,743)
Additions to investment properties	7	(154,005)	(144,879)
Net movement in term deposits		2,160,641	(226,968)
Profit on term deposits received		500,440	413,062
Net cash flows used in investing activities		<u>(1,825,682)</u>	<u>(559,516)</u>
FINANCING ACTIVITIES			
Dividends paid	16	(4,399,212)	(3,910,418)
Movement in bank balances representing unclaimed dividends		134,047	(9,841)
Net cash flows used in financing activities		<u>(4,265,165)</u>	<u>(3,920,259)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		1,202,177	3,170,251
Cash and cash equivalents at 1 January		<u>5,282,060</u>	<u>2,111,809</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	<u>6,484,237</u>	<u>5,282,060</u>

Non-cash items:

- 1) Movement in donations and charitable contributions amounting to BD 45,911 (2013: BD 49,097) has been excluded from accounts and other payables.
- 2) Movement in profit on term deposits of BD 98,194 (2013: BD 2,405) has been excluded from trade and other receivables.
- 3) During the year, the Group has written back certain accruals no longer payable amounting to BD 34,499 (2013: BD 46,288) [note 19] which have been excluded from the movement of accounts and other payables.

The attached notes 1 to 27 form part of these consolidated financial statements.

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Share capital BD	Statutory reserve BD	Furniture and fixtures replacement reserve BD	Retained earnings* BD	Total BD
Balance at 1 January 2014		46,000,000	16,043,000	143,610	61,675,256	123,861,866
Total comprehensive income		-	-	-	10,819,489	10,819,489
Dividends declared for 2013	14	-	-	-	(4,600,000)	(4,600,000)
Transfer to statutory reserve	12	-	1,082,000	-	(1,082,000)	-
Transfer to furniture and fixtures replacement reserve	13	-	-	70,950	(70,950)	-
Utilisation of furniture and fixtures replacement reserve		-	-	(41,317)	41,317	-
Direct utilisation of furniture and fixtures replacement reserve		-	-	(23,280)	-	(23,280)
Balance at 31 December 2014		46,000,000	17,125,000	149,963	66,783,112	130,058,075
Balance at 1 January 2013		46,000,000	15,040,000	111,025	56,831,191	117,982,216
Total comprehensive income		-	-	-	10,024,445	10,024,445
Dividends declared for 2012	14	-	-	-	(4,140,000)	(4,140,000)
Transfer to statutory reserve	12	-	1,003,000	-	(1,003,000)	-
Transfer to furniture and fixtures replacement reserve	13	-	-	61,823	(61,823)	-
Utilisation of furniture and fixtures replacement reserve		-	-	(24,443)	24,443	-
Direct utilisation of furniture and fixtures replacement reserve		-	-	(4,795)	-	(4,795)
Balance at 31 December 2013		46,000,000	16,043,000	143,610	61,675,256	123,861,866

* Retained earnings include BD 25,000 (2013: BD 25,000) relating to the statutory reserve of the subsidiary.

The attached notes 1 to 27 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

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 and Commerce 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 had the following wholly owned subsidiary at the date of the consolidated statement of financial position.

<i>Name</i>	<i>Ownership interest</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Fraser Suites Seef - Bahrain S.P.C.	100%	Kingdom of Bahrain	Hotel, tourist furnished flats and restaurants for tourist services management.

The Company and its wholly owned subsidiary 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 the Seef Mall, the Isa Town Mall, Fraser Suites - Seef and other commercial facilities in the Kingdom of Bahrain and operates the Magic Island, leisure and recreational games facilities.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 22 February 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of presentation

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

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the adoption of new standards and interpretations effective as of 1 January 2014, noted below:

- Investment Entities – Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements*;
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 *Financial Instruments: Presentation*;
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 *Impairment of Assets*;
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*;
- IFRIC 21 *Levies*;
- *Improvements to IFRSs – 2010-2012 Cycle*: Amendments to IFRS 13 – Short-term receivables and payables; and
- *Improvements to IFRSs – 2011-2013 Cycle*: Amendments to IFRS 1 – Meaning of 'effective IFRSs'.

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

The above amendments have had no impact on the Group's financial position and performance. All required disclosures have been disclosed in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2014 (collectively referred to as the "Group"). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

Investment in joint venture

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in joint venture (continued)

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

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

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

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

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

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

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

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

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

Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is presented as current when it is:

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

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

All other assets are classified as non-current. A liability is presented as current when:

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

The Group classifies all other liabilities as non-current.

Furniture, equipment and vehicles

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

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

Equipment	2-10 years
Furniture and fixtures	3-10 years
Motor vehicles	5 years

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

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

Capital work-in-progress

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

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

Investment properties

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

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

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

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

Impairment of non-financial assets

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

- | | |
|---|--------|
| - Disclosures for significant assumptions | Note 3 |
| - Furniture, equipment and vehicles | Note 5 |

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Trade receivables

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

Cash and bank balances

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

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

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

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

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

Impairment of financial assets

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

- | | |
|---|--------|
| - Disclosures for significant assumptions | Note 3 |
| - Trade receivables | Note 9 |

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

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

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- c) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

ii) Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include accounts and other payables.

Accounts and other payables

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

At 31 December 2014

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

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

iii) Offsetting of financial instruments

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

Fair value measurement

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

- | | |
|--|---------|
| - Disclosures for valuation methods, significant estimates and assumptions | Note 3 |
| - Investment properties | Note 7 |
| - Quantitative disclosures of fair value measurement hierarchy | Note 27 |

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

On an annual basis, the management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

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

Provisions

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

Employees' end of service benefits

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

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

Leases

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

Group as a lessee

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

Group as a lessor

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Rental income

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

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

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

Service charges and expenses recoverable from tenants

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

Interest income

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

Foreign currencies

The Group's consolidated financial statements are presented in Bahraini Dinars ("BD"), which is the Group's functional currency and the currency of the primary economic environment in which the Group operates.

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

At 31 December 2014

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

Judgements

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

Operating lease commitments - Group as a lessor

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

Estimates and assumptions

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

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of comprehensive income. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2014 for investment properties. For investment properties, a valuation methodology based on income yield capitalisation model was used, as there is a lack of comparable market data because of the nature of the properties.

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

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in note 7.

Useful lives of furniture, equipment and vehicles

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of trade receivables

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

At the consolidated statement of financial position date, gross trade receivables were BD 1,113,849 (2013: BD 954,926) and provision for doubtful debts was BD 486,014 (2013: BD 434,304).

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards (where applicable) when they become effective:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. This contains amendments to IFRS 2, IFRS 3, IFRS 8, IAS 16 and IAS 24.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. This contains amendments to IFRS 3, IFRS 13 and IAS 40.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to 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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Seef Properties B.S.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

5 FURNITURE, EQUIPMENT AND VEHICLES

2014	Equipment BD	Furniture and fixtures BD	Motor vehicles BD	Total BD
Cost:				
At 1 January 2014	4,511,690	2,565,773	117,871	7,195,334
Additions	1,019,062	1,624,691	13,751	2,657,504
Transfers from Capital-work-in progress (note 6)	17,154	211,824	-	228,978
Disposals	(409,012)	(224,079)	(11,701)	(644,792)
At 31 December 2014	5,138,894	4,178,209	119,921	9,437,024
Depreciation:				
At 1 January 2014	3,796,736	2,086,629	99,075	5,982,440
Charge for the year	437,814	258,822	12,566	709,202
Relating to disposals	(381,339)	(156,529)	(11,701)	(549,569)
At 31 December 2014	3,853,211	2,188,922	99,940	6,142,073
Net carrying values:				
At 31 December 2014	1,285,683	1,989,287	19,981	3,294,951
2013	Equipment BD	Furniture and fixtures BD	Motor vehicles BD	Total BD
Cost:				
At 1 January 2013	3,719,681	2,932,162	68,714	6,720,557
Additions	199,307	12,901	8,780	220,988
Disposals	(12,219)	-	-	(12,219)
Reclassifications	604,921	(379,290)	40,377	266,008
At 31 December 2013	4,511,690	2,565,773	117,871	7,195,334
Depreciation:				
At 1 January 2013	3,175,857	1,813,525	41,949	5,031,331
Charge for the year	492,165	185,199	19,513	696,877
Relating to disposals	(11,776)	-	-	(11,776)
Reclassifications	140,490	87,905	37,613	266,008
At 31 December 2013	3,796,736	2,086,629	99,075	5,982,440
Net carrying values:				
At 31 December 2013	714,954	479,144	18,796	1,212,894

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

	2014 BD	2013 BD
Cost of sales (note 18)	158,009	211,974
Expenses	551,193	484,903
	709,202	696,877

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6 CAPITAL WORK-IN-PROGRESS

	2014 BD	2013 BD
At 1 January	425,720	49,352
Capital expenditure incurred during the year	1,734,153	379,743
Transfers to investment properties (note 7)	(146,090)	(3,375)
Transfers to furniture, equipment and vehicles (note 5)	(228,978)	-
At 31 December	<u>1,784,805</u>	<u>425,720</u>

7 INVESTMENT PROPERTIES

	2014 BD	2013 BD
At 1 January	104,347,000	101,299,000
Expenditure incurred during the year	154,005	144,879
Transfers from capital work-in-progress (note 6)	146,090	3,375
Unrealised fair value gain	3,536,405	2,899,746
At 31 December	<u>108,183,500</u>	<u>104,347,000</u>

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

As at 31 December 2014 and 2013, the fair values of the properties are based on valuations performed by independent surveyors. The surveyors are industry specialists in valuing these types of investment properties. The valuations undertaken are based on the income yield capitalisation method.

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

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

Properties	Significant unobservable Inputs	Range (weighted average)	
		2014	2013
Seef Mall	Estimated rental value per annum	BD 8,537,586	BD 8,270,991
	Occupancy rate	100%	95%
	Discount rate	8.50%	9.00%
Isa Town Mall	Estimated rental value per annum	BD 638,519	BD 629,832
	Occupancy rate	100%	95%
	Discount rate	9.00%	9.00%
Fraser Suites - Seef	Estimated rental value per annum	BD 2,357,809	BD 2,054,754
	Occupancy rate	75%	72%
	Discount rate	10.00%	9.00%
Other commercial properties	Estimated rental value per annum	BD 997,589	BD 936,015
	Occupancy rate	100%	100%
	Discount rate	3.0% - 10.0%	7.0% - 10.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

7 INVESTMENT PROPERTIES (continued)

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

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

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

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

8 INVESTMENT IN JOINT VENTURE

The Company has a 50% interest in Muharraq Mall Co. W.L.L., a jointly controlled entity incorporated in the Kingdom of Bahrain which is involved in property management, development and maintenance of Muharraq Seef Mall. The Company's interest in the joint venture is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its audited financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2014	2013
	BD	BD
At 1 January		
Share of loss during the year	5,256,264	5,321,772
Elimination of intercompany charges	(22,857)	(1,501)
	(129,339)	(64,007)
At 31 December	5,104,068	5,256,264

The following is the Company's share of joint venture's net assets, revenue and loss based on audited financial statements as of 31 December:

	2014	2013
	BD	BD
Current assets	214,335	806,491
Non-current assets	21,688,404	14,574,386
Current liabilities	(4,372,574)	(3,730,382)
Non-current liabilities	(8,298,667)	(2,348,691)
Equity	9,231,498	9,301,804
Proportion of the Company's ownership	50%	50%
Share of the joint venture's net assets	4,615,749	4,650,902

Seef Properties B.S.C.

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At 31 December 2014

8 INVESTMENT IN JOINT VENTURE (continued)

	2014 BD	2013 BD
Other income	14,299	26,468
Administrative expenses	(60,013)	(29,470)
Loss for the year	<u>(45,714)</u>	<u>(3,002)</u>
Share of loss for the year	<u>(22,857)</u>	<u>(1,501)</u>

There has been no operating revenue earned by the joint venture during the years ended 31 December 2014 and 31 December 2013 as the mall is still under development.

The joint venture had no contingent liabilities as at 31 December 2014. The Company's share of joint venture's capital commitments as at 31 December 2014 is disclosed in note 23.

9 TRADE AND OTHER RECEIVABLES

	2014 BD	2013 BD
Rents and service charges receivable	1,113,849	954,926
Less: provision for doubtful debts	(486,014)	(434,304)
	<u>627,835</u>	<u>520,622</u>
Due from related party (note 25)	351,137	18,260
Other receivables [net of provision of BD 131,700 (2013: BD 131,700)]	193,625	275,302
Prepayments	256,760	122,034
Advances to suppliers	27,555	29,330
	<u>1,456,912</u>	<u>965,548</u>

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

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

As at 31 December 2014, trade and other receivables of BD 617,714 (2013: BD 566,004) were impaired and fully provided for. The movement in the provision for trade and other receivables is as follows:

	2014 BD	2013 BD
At 1 January	566,004	487,234
Charge for the year	52,000	78,770
Write back during the year	(290)	-
At 31 December	<u>617,714</u>	<u>566,004</u>

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

9 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December, the provision for trade and other receivables comprise of:

	2014 BD	2013 BD
Provision for trade receivables	486,014	434,304
Provision for other receivables	131,700	131,700
At 31 December	<u>617,714</u>	<u>566,004</u>

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total BD	Neither past due nor impaired BD	Past due but not impaired		
			0-30 days BD	31-60 days BD	61-90 days BD
2014	627,835	436,370	65,211	64,707	61,547
2013	520,622	360,094	31,129	58,719	70,680

10 CASH AND BANK BALANCES

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

	2014 BD	2013 BD
Cash on hand, bank balances and term deposits	16,892,945	17,985,456
Less: Term deposits with original maturity of more than three months	(9,054,645)	(11,215,286)
Bank balances representing unclaimed dividends *	(1,354,063)	(1,488,110)
	<u>6,484,237</u>	<u>5,282,060</u>

Bank balances are held in commercial banks in the Kingdom of Bahrain and are non-interest bearing. Term deposits are placed for varying periods ranging between one month to one year. The profit rates on term deposits as at 31 December 2014 range between 1.55% to 3.20% (2013: 1.80% to 4.15%).

* Refer to note 16 for details of unclaimed dividends.

11 SHARE CAPITAL

	2014 BD	2013 BD
Authorised: 1,000,000,000 shares of BD 0.100 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and fully paid-up: 460,000,000 shares (2013: 460,000,000 shares) of BD 0.100 each	<u>46,000,000</u>	<u>46,000,000</u>

Seef Properties B.S.C.

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11 SHARE CAPITAL (continued)

Additional information on shareholding pattern

a) The names and nationalities of the major shareholders and the number of shares held in excess of 5% of the outstanding shares are as follows:

Name	Nationality	Percentage of shareholding interest	2014 No. of shares
Social Insurance Organisation	Bahraini	26.68%	122,735,695
Royal Charity Organisation	Bahraini	10.10%	46,457,291
Kuwait Finance House B.S.C. (c)	Bahraini	7.38%	33,945,385
Bayan Group for Properties Investment	Bahraini	6.92%	31,842,988
		51.08%	234,981,359

Name	Nationality	Percentage of shareholding interest	2013 No. of shares
Social Insurance Organisation	Bahraini	22.14%	101,862,263
Royal Charity Organisation	Bahraini	10.10%	46,457,291
Kuwait Finance House B.S.C. (c)	Bahraini	7.38%	33,945,385
Bayan Group for Properties Investment	Bahraini	6.92%	31,842,988
		46.54%	214,107,927

b) Distribution of share capital is as follows:

As of 31 December 2014:

Category	No. of shares	No. of shareholders	Percentage of total outstanding
Less than 1%	194,495,672	21,986	42.28%
1% up to less than 5%	30,522,969	4	6.64%
5% up to less than 10%	65,788,373	2	14.30%
10% up to less than 20 %	46,457,291	1	10.10%
20% up to less than 50%	122,735,695	1	26.68%
	460,000,000	21,994	100.00%

As of 31 December 2013:

Category	No. of shares	No. of shareholders	Percentage of total outstanding
Less than 1%	194,507,298	22,070	42.29%
1% up to less than 5%	51,384,775	5	11.17%
5% up to less than 10%	65,788,373	2	14.30%
10% up to less than 20 %	46,457,291	1	10.10%
20% up to less than 50%	101,862,263	1	22.14%
	460,000,000	22,079	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

12 STATUTORY RESERVE

The Bahrain Commercial Companies Law and the Company's articles of association require 10% of the profit for the year to be transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year, the Company transferred an amount of BD 1,082,000 (2013: BD 1,003,000) of its profit for the year to its statutory reserve.

13 FURNITURE AND FIXTURES REPLACEMENT RESERVE

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

14 DIVIDENDS DECLARED

On 22 February 2015, the Company's Board of Directors have proposed to pay a final dividend of BD 0.011 per share totalling BD 5,060,000 subject to approval at the Annual General Meeting.

At the Annual General Meeting held on 17 March 2014, the Company's shareholders approved to pay a final dividend of BD 0.010 per share totalling BD 4,600,000. Dividends paid amounting to BD 4,399,212 relate to 2013 and before.

At the Annual General Meeting held on 31 March 2013, the Company's shareholders approved to pay a final dividend of BD 0.009 per share totalling BD 4,140,000. Dividends paid amounting to BD 3,910,418 relate to 2012 and before.

15 EMPLOYEES' END OF SERVICE BENEFITS

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2014 amounted to BD 90,236 (2013: BD 91,929).

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

	2014	2013
	BD	BD
At 1 January		
Charge for the year	205,762	162,959
Paid during the year	58,547	48,398
	(49,790)	(5,595)
At 31 December	214,519	205,762

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

	2014	2013
	BD	BD
Staff costs (note 20)	45,460	36,166
Cost of sales	13,087	12,232
	58,547	48,398

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 UNCLAIMED DIVIDENDS

	2014 <i>BD</i>	2013 <i>BD</i>
At 1 January		
Dividends declared (note 14)	4,457,975	4,228,393
Dividends paid	4,600,000	4,140,000
	(4,399,212)	(3,910,418)
At 31 December	4,658,763	4,457,975

17 ACCOUNTS AND OTHER PAYABLES

	2014 <i>BD</i>	2013 <i>BD</i>
Accounts payable	161,265	321,076
Accrued expenses	620,099	601,795
Deferred income	438,391	372,793
Retentions payable	203,114	10,827
Donations and charitable contributions payables	141,183	187,094
Other payables	104,927	99,170
Rent received in advance	99,436	74,524
Deposit payable	17,409	-
	1,785,824	1,667,279

Terms and conditions of the above financial liabilities:

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

18 COST OF SALES

	2014 <i>BD</i>	2013 <i>BD</i>
Staff costs	559,829	491,191
Utilities	544,054	477,193
Cleaning	422,326	410,663
Maintenance	336,971	316,274
Depreciation (note 5)	158,009	211,974
Insurance	61,372	62,239
Direct costs incurred on food and beverage services	54,170	52,642
Property tax	31,260	31,260
Direct costs incurred on leisure and recreational facilities	28,032	198,831
Miscellaneous	210,007	196,579
	2,406,030	2,448,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

19 OTHER OPERATING INCOME

	2014	2013
	BD	BD
Kiosk, antenna, ATM & GSM income	473,959	402,967
Advertising and promotional income	289,206	249,764
Miscellaneous income	184,339	196,425
Car park income	65,717	111,496
Write-back of accruals no longer payable	34,499	46,288
	1,047,720	1,006,940

During 2014, the management carried out a detailed review of long outstanding accruals and decided that amounts totalling BD 34,499 (2013: BD 46,288) were no longer required.

20 STAFF COSTS

	2014	2013
	BD	BD
Basic salaries	990,005	961,225
Allowances	220,907	217,943
Bonuses	113,370	119,902
Social insurance	91,234	86,058
Medical insurance	41,619	38,015
End of service benefits (note 15)	45,460	36,166
Other benefits	88,780	200,424
	1,591,375	1,659,733

21 GENERAL, ADMINISTRATION, MARKETING AND ADVERTISEMENT

	2014	2013
	BD	BD
Marketing and advertisement expenses	723,887	573,088
Security and other labour expenses	294,566	305,925
Legal and professional fees	118,427	119,084
Incentive fees	93,992	76,127
Mall branding expenses	20,074	138,389
Management fees	59,125	51,520
Maintenance expenses	93,054	47,115
Board sitting fees	28,035	27,900
Miscellaneous expenses	270,996	142,647
	1,702,156	1,481,795

Seef Properties B.S.C.

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22 EARNINGS PER SHARE

	2014	2013
Profit for the year – BD	10,819,489	10,024,445
Weighted average number of shares outstanding	460,000,000	460,000,000
Basic and diluted earnings per share (fils)	23.52	21.79

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.

23 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 properties are as follows:

	2014 BD	2013 BD
Seef Mall, Isa Town Mall and Magic Island renovation works	156,170	310,823

The Group's share of capital expenditure commitments outstanding as at the reporting date but not yet provided for, relating to the development of Muharraq Seef Mall are as follows:

	2014 BD	2013 BD
Muharraq Seef Mall	48,995	2,982,866

b) *Operating lease commitments*

The Group has entered into leases with commercial malls in the Kingdom of Bahrain for operating its leisure and recreational facilities. The Group's share of the joint venture's operating lease relating to the land on which Muharraq Seef Mall is being developed is included in the following disclosed gross commitments.

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

	2014 BD	2013 BD
Within one year	93,750	125,000
After one year but not more than five years	500,000	500,000
More than five years	4,302,083	4,395,833
	4,895,833	5,020,833

c) *Other commitments*

Muharraq Mall Co. W.L.L. is expected to pay a royalty charge of 2.75% (2013: 2.75%) of its gross rental income receivable commencing from the year 2022 until the end of the lease term in 2053.

At 31 December 2014

23 COMMITMENTS AND CONTINGENCIES (continued)

d) Legal cases

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

A third party has filed a claim against the Group towards damages caused by theft. The Group lost the case, however, it has filed an appeal against the ruling. The third party is seeking damages equal to BD 202,811 (2013: BD 202,811). The case is still ongoing as of 31 December 2014. Management believes that it is possible, but not probable, that the third party will succeed. Accordingly, no provision for any liability has been made in these consolidated financial statements.

e) Guarantee

On 1 September 2013, Muharraq Mall Co. W.L.L., the joint venture, obtained an Islamic financing facility from a financial institution amounting to BD 8.01 million (equivalent of USD 21.25 million) to finance the construction of Muharraq Seef Mall. On 31 August 2014, the existing facility was increased to BD 9.9 million (equivalent of USD 26.25 million). This financing is secured by joint and several corporate guarantees undertaken by the Company and other two venturers.

24 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

Seef Properties B.S.C.

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At 31 December 2014

24 SEGMENT INFORMATION (continued)

	Malls and properties		Serviced apartments		Leisure and entertainment		Others		Elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Income from external operations	9,252,675	8,800,740	2,364,990	2,060,780	899,064	1,323,630	-	-	-	-	12,516,729	12,185,150
Inter-segment income	123,240	220,740	-	-	-	-	-	-	(123,240)	(220,740)	-	-
Less: cost of sales	1,143,214	1,046,204	664,834	600,526	721,222	1,022,856	-	-	(123,240)	(220,740)	2,406,030	2,448,846
Gross profit	8,232,701	7,975,276	1,700,156	1,460,254	177,842	300,774	-	-	-	-	10,110,699	9,736,304
Other operating income	-	-	-	-	-	-	1,047,720	1,003,936	-	-	1,047,720	1,006,940
Profit on term deposits	-	-	-	-	-	-	402,246	410,657	-	-	402,246	410,657
Operating profit	8,232,701	7,975,276	1,700,156	1,460,254	177,842	303,778	1,449,966	1,414,593	-	-	11,560,665	11,153,901
Expenses												
Staff costs	1,325,531	1,418,930	265,844	240,803	-	-	-	-	-	-	1,591,375	1,659,733
General and administration, marketing and advertisement	1,123,281	1,119,033	395,013	313,136	183,862	49,626	-	-	-	-	1,702,156	1,481,795
Depreciation	272,983	260,198	134,761	170,944	143,449	53,761	-	-	-	-	551,193	484,903
Directors' remuneration	198,000	172,500	-	-	-	-	-	-	-	-	198,000	172,500
Donations and charitable contributions	160,000	150,000	-	-	-	-	-	-	-	-	160,000	150,000
Provision for doubtful debts	52,000	78,480	-	290	-	-	-	-	-	-	52,000	78,770
Unrealised fair value gain on investment properties	5,100,906	4,776,135	904,538	735,081	(149,469)	200,391	1,449,966	1,414,593	-	-	7,305,941	7,126,200
Share of net loss from joint venture	1,552,380	2,415,726	1,984,025	484,020	-	-	-	-	-	-	3,536,405	2,899,746
	(22,857)	(1,501)	-	-	-	-	-	-	-	-	(22,857)	(1,501)
Segment profit (loss) for the year	1,529,523	2,414,225	1,984,025	484,020	-	-	-	-	-	-	3,513,548	2,898,245
	6,630,429	7,190,360	2,888,563	1,219,101	(149,469)	200,391	1,449,966	1,414,593	-	-	10,819,489	10,024,445
Total assets	128,677,105	127,317,942	12,511,933	10,589,104	2,576,012	278,033	-	-	(7,047,869)	(7,992,197)	136,717,181	130,192,882
Total liabilities	6,457,629	6,131,413	7,249,346	8,191,800	-	-	-	-	(7,047,869)	(7,992,197)	6,659,106	6,331,016
Capital expenditure	1,369,607	532,732	57,292	27,865	3,118,763	185,013	-	-	-	-	4,545,662	745,610

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

At 31 December 2014

25 RELATED PARTY TRANSACTIONS

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

Transactions with related parties during the year are as follows:

	<i>Property rental income and service charges</i>	
	2014	2013
	BD	BD
Directors' related entities	-	171,944
Muharraq Mall Co. W.L.L.	16,394	16,394
	16,394	188,338

During the Annual General Meeting held on 31 March 2013, a new Board of Directors has been appointed which has affected the related party balances and transactions disclosure as at the date of the consolidated financial statements.

On 3 May 2012, the Company entered into a property services agreement with its joint venture, Muharraq Mall Co. W.L.L. During the year ended 31 December 2014, the Company charged the joint venture a development management fee of BD 16,250 (2013: BD 30,000), lease management fee of BD 72,590 (2013: BD 30,007), management set-up fee of BD 14,000 (2013: BD 4,000) and tenant coordination fee of BD 26,500 (2013: nil) which are included in other operating income in the consolidated statement of comprehensive income.

The Group has entered into transactions with companies in which directors have interest. During the year ended 31 December 2014, the Group incurred BD 42,856 (2013: nil) with these companies.

Balances with related party included in the consolidated statement of financial position (note 9) are as follows:

	<i>Receivables</i>	
	2014	2013
	BD	BD
Muharraq Mall Co. W.L.L.	351,137	18,260

Compensation of key management personnel

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

	2014	2013
	BD	BD
Directors' remuneration	198,000	172,500
Management short-term benefits	123,200	120,000
Management end of service benefits	8,100	6,333
	329,300	298,833

At 31 December 2014

25 RELATED PARTY TRANSACTIONS (continued)

Outstanding balances as at 31 December arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the years ended 31 December 2014 and 31 December 2013, the Group has not recorded any impairment of amounts owed by related party.

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:

	2014	2013
Number of shares	1,927,680	1,512,680
Percentage of holdings	0.42%	0.33%

Details of the directors' interest in the shares of the Company are as follows:

	2014	2013
	No. of shares	No. of shares
Essa Mohamed Najibi	633,854	633,854
Abdul Jalil Mohammed Janahi	100,000	105,000
Ahmed Yousif Abdulla	100,000	100,000
Hisham Jaffer Al Rayyes	100,000	100,000
May Khalifa Showaiter	100,000	100,000
Sattam Sulaiman Al-Gosaibi	793,826	373,826
Yousif Ahmed Al-Hammadi	100,000	100,000
	<u>1,927,680</u>	<u>1,512,680</u>

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**Introduction**

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

Board of Directors

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

Executive committee

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

Real estate risk

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

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

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Interest rate risk**

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

Currency risk

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

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

Credit risk

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

Credit risk related to rent receivables

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

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

Concentration of credit risk

The Group provides its services to a large number of individuals and companies. Its five largest customers account for 29% of outstanding trade receivables at 31 December 2014 (2013: 35%).

Liquidity risk

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

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

2014	Less than 6 months BD	After 6 months BD	Total BD
Unclaimed dividends	4,658,763	-	4,658,763
Accounts and other payables	407,681	220,217	627,898
	<u>5,066,444</u>	<u>220,217</u>	<u>5,286,661</u>

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At 31 December 2014

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2013

	<i>Less than 6 months BD</i>	<i>After 6 months BD</i>	<i>Total BD</i>
Unclaimed dividends	4,457,975	-	4,457,975
Accounts and other payables	607,647	10,520	618,167
	<u>5,065,622</u>	<u>10,520</u>	<u>5,076,142</u>

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. For the purpose of the Group's capital management, capital includes share capital, statutory reserve, furniture and fixtures replacement reserve and retained earnings and is measured at 31 December 2014 at BD 130,058,075 (2013: BD 123,861,866).

27 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 accounts and other payables and unclaimed dividends payable which are carried at amortised cost.

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

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

	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total BD</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>	
Assets measured at fair value					
Investment properties	31 December 2014	-	-	108,183,500	108,183,500

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27 FAIR VALUE MEASUREMENT (continued)

	Date of valuation	Fair value measurement using			Total BD
		Quoted prices in active markets (Level 1) BD	Significant observable inputs (Level 2) BD	Significant unobservable inputs (Level 3) BD	
31 December 2013					
Assets measured at fair value					
Investment properties	31 December 2013	-	-	104,347,000	104,347,000

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

There is no movement in the revalued investment properties, therefore, reconciliation of Level 3 fair value hierarchy is not disclosed.