

Seef Properties B.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

Chairman's Message

On behalf of the Board of Directors, I have the pleasure of presenting the audited financial statements for Seef Properties B.S.C. for the year ended on 31st December 2016 where steady earnings growth delivered increased shareholder returns.

I am pleased to report yet another profitable year. Revenues across all segments have increased during the year which resulted in an increase in the overall operating profit.

Seef Properties B.S.C. reported Gross Revenues of BD 15.38 million and Operating Profit of BD 13.89 million, an increase of 9.7% and 9.5% respectively against the year ended 2015.

The Company ended the year with a strong balance sheet; as of 31st December 2016, Seef Properties B.S.C. continues to be a minimal debt company with significant cash and bank balances with total assets of BD 162.60 million, an increase of 14.6 % YoY.

We have been able to transform the Company quite dramatically since its inception. Today, we have a much stronger brand, a more diversified portfolio and have increased the total Gross Lettable Area. This has resulted in a much stronger capital base with a higher level and quality of earnings.

2016 Strategy

During the year we announced refinements to our long-term vision. Our strategy focuses on driving efficiency, building growth opportunities and excellence in customer experience.

It makes our ambitions clear and also illustrates the core value of our strategy which is to take the company's growth to the next level by developing our robust real estate portfolio; further adding value for our investors.

This year also witnessed Seef Properties announcing two strategic decisions; the acquisition of the shares of Haykala Investment Company W.L.L. in the Muharraq Mall. The acquisition of 22.5% shares increased Seef Properties overall ownership to 72.50%. The acquisition will positively impact the returns to shareholders over the medium and long term.

During Q4 of 2016, Seef Properties announced the launch of a new real estate company. The venture is mandated to develop a major mixed-use project, located in Hamala, with an estimated investment of BD40 Million. The main aim behind this unique project is to create a mixed-used development that can be positioned as a new shopping and leisure destination providing unparalleled services for residents and visitors.

Financial Highlights

We are pleased with the overall performance of the company and the financial results achieved during this period with our net profit increasing by 12.2% for the year 2016.

The positive result echoes our corporate strategy which focuses on being positioned as the leading company within the real estate sector in the Kingdom.

The consolidated group net profit after considering the valuation gain on investment properties was BD 11.04 million compared to BD 9.84 million in 2015, an increase of 12.2%.

The company's principal sources of revenue are derived from rental revenues from our Investment Assets, plus our Hospitality and Leisure Businesses. Increasing footfall and demand for retail space in all our assets - Seef Malls (Seef District, Muharraq and Isa Town), indicates that the properties remain an attractive destination for customers and tenants.

Outlook for 2017

We will focus our efforts in developing our business model and investments based on international standards and the needs of the local economy. Our core philosophy focuses on achieving high returns by investing in promising projects. The decision to launch a new project is based on our belief that this new project to Bahrain's real estate sector will further enhance the tourism infrastructure in the Kingdom and support the national economy.

WORD OF APPRECIATION

I would like to appreciate our Shareholders' strong support and confidence in backing our company strategy and the guidance we have received from them, our Investors and Board of Directors during the last financial year.

Meanwhile, I extend my sincere gratitude and appreciation to all of our dedicated, loyal and hard-working employees, tenants and customers for their continued support and on-going faith in our company.

I would like to thank all the stakeholders for their ongoing guidance over the past 12 months and I look forward to working with them in taking the Seef Properties B.S.C. name to even greater heights in the near future.

On behalf of my fellow Directors, I wish to extend our appreciation towards 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, the Government, Ministries, Officials and Institutions. Their support and assistance is highly appreciated.



Essa Mohamed Najibi
Chairman
21-February-2017



Ernst & Young
P.O. Box 140
10th Floor, East Tower
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
ey.com/mena
C.R. No. 6700 / 29977

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

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Seef Properties B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of comprehensive income, cash flows, changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Report on Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

1. Acquisition of additional interest in a joint venture entity that results in consolidation	
Refer to note 5 to the consolidated financial statements	
Key audit matter	How the key audit matter was addressed in the audit
<p>On 10 October 2016, Seef Properties B.S.C. ("Seef") acquired additional shares in Muharraq Mall Co. W.L.L ("MMC"). As a result of this transaction the Company's interest increased from 50.0% to 72.5%. As of 10 October 2016, Seef no longer has joint control over MMC and stopped accounting for its interest using the equity method of accounting in the 2016 consolidated financial statements of Seef. From 10 October 2016, the results of MMC are included in the consolidated statement of comprehensive income.</p> <p>International Financial Reporting Standard (IFRS) 3 "Business Combinations (Revised)" requires that assets and liabilities acquired in a business combination are measured at their fair value. The standard also includes a requirement to identify and recognise assets and liabilities in the acquired net assets of MMC at fair value.</p> <p>The identification and valuation of the acquired net assets can have a material impact on the consolidated financial statements and is an area that involves judgement. Because this is a non-routine transaction and the accounting treatment is complex we consider this a key audit matter for our audit.</p>	<p>We analysed the transaction and the acquisition of control and we discussed this with the Directors and management of Seef. To assess whether the accounting treatment complies with the requirements of IFRS 3, we reviewed relevant underlying documents, including the sale and purchase contracts.</p> <p>Our audit procedures included among others, an assessment of the acquisition accounting, evaluating the procedures applied to identify and value additional assets and liabilities on acquisition and evaluating the key judgements. In performing these procedures, we obtained and reviewed the most recent external valuation report done on the building, which is the most significant asset of MMC.</p> <p>We also considered the adequacy of the Group's disclosures about the acquisition of MMC within the consolidated financial statements.</p>

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

Report on Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

2. Valuation of investment properties	
Refer to note 8 to the consolidated financial statements	
Key audit matter	How the key audit matter was addressed in the audit
<p>Investment properties comprise 69% of the total assets of the Group as at 31 December 2016. The Group's investment properties are measured at fair value.</p> <p>The valuation of the investment properties is highly dependent on estimates and assumptions, such as rental value, occupancy rates, discount rates, maintenance status, financial stability of tenants, market knowledge and historical transactions. Given the size and complexity of the valuation of investment properties relating to the assumptions used in the valuation, we addressed this as a key audit matter.</p>	<p>We evaluated the assumptions and estimates made by the management and the independent external surveyors in the valuation methodology about the appropriateness of the property related data supporting the fair values of the investment properties. Amongst other matters, we considered the objectivity, independence and expertise of the independent external surveyors.</p> <p>We evaluated the accuracy of the property data provided by the management to the independent external surveyors by testing a sample of rental agreements during the year. We also assessed the appropriateness of the disclosures relating to the sensitivity of the assumptions.</p>

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

Report on Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2016 annual report

Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Chairman and the Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Chairman's Report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on Audit of the Consolidated Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Report on Audit of the Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

a) as required by the Bahrain Commercial Companies Law, we report that:

- i. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- ii. the financial information contained in the Chairman's Report is consistent with the consolidated financial statements; and
- iii. satisfactory explanations and information have been provided to us by Management in response to all our requests.

b) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2016 that might have had a material adverse effect on the business of the Company or on its consolidated financial position.

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



Partner's Registration No. 115
21 February 2017
Manama, Kingdom of Bahrain

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 BD	2015 BD
ASSETS			
Non-current assets			
Property, equipment and furniture	6	24,310,038	3,204,137
Capital work-in-progress	7	175,842	31,299
Investment properties	8	111,800,840	110,682,734
Investment in joint ventures	9	8,657,356	5,589,299
		<u>144,944,076</u>	<u>119,507,469</u>
Current assets			
Trade and other receivables	10	1,747,553	1,375,291
Cash and bank balances	11	15,908,680	21,060,332
		<u>17,656,233</u>	<u>22,435,623</u>
TOTAL ASSETS		<u>162,600,309</u>	<u>141,943,092</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	46,000,000	46,000,000
Statutory reserve	13	19,210,000	18,110,000
Furniture and fixtures replacement reserve	14	218,270	153,923
Retained earnings		74,845,831	70,573,262
Equity attributable to equity holders of the parent		<u>140,274,101</u>	<u>134,837,185</u>
Non-controlling interest		3,199,705	-
Total equity		<u>143,473,806</u>	<u>134,837,185</u>
Non-current liabilities			
Term loan	16	8,643,631	-
Employees' end of service benefits	17	291,485	242,118
		<u>8,935,116</u>	<u>242,118</u>
Current liabilities			
Unclaimed dividends	18	5,220,347	4,907,856
Trade and other payables	19	4,222,082	1,955,933
Term loan	16	748,958	-
		<u>10,191,387</u>	<u>6,863,789</u>
Total liabilities		<u>19,126,503</u>	<u>7,105,907</u>
TOTAL EQUITY AND LIABILITIES		<u>162,600,309</u>	<u>141,943,092</u>


Essa Mohamed Najibi
Chairman


Mustafa Al-Sayed
Vice Chairman


Ahmed Yusuf
Chief Executive Officer

The attached notes 1 to 29 form part of these consolidated financial statements.

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Note</i>	2016 BD	2015 BD
INCOME			
Property rental income and service charges		11,030,330	9,827,979
Income from serviced apartments		2,512,568	2,429,510
Leisure and recreational income		1,840,947	1,771,925
		<u>15,383,845</u>	<u>14,029,414</u>
Less: cost of sales	20	3,170,969	2,897,514
GROSS PROFIT		<u>12,212,876</u>	<u>11,131,900</u>
Other operating income	21	1,285,428	1,134,102
Profit on term deposits		394,844	420,640
OPERATING PROFIT		<u>13,893,148</u>	<u>12,686,642</u>
EXPENSES			
Staff costs	22	1,874,473	1,672,267
General, administration, marketing and advertisement	23	1,463,229	1,350,041
Depreciation	6	637,756	646,001
Directors' remuneration	27	245,500	210,500
Donations and charitable contributions		175,000	165,000
Provision for doubtful debts	10	115,579	296,658
PROFIT FROM OPERATIONS		<u>9,381,611</u>	<u>8,346,175</u>
Finance costs		(94,961)	-
Unrealised fair value gain on investment properties	8	928,068	998,563
Share of profit from joint ventures	9	561,658	494,372
Gain on acquisition of a subsidiary	5	267,562	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>11,043,938</u>	<u>9,839,110</u>
Attributable to:			
Equity holders of the parent		10,956,916	9,839,110
Non-controlling interest		87,022	-
		<u>11,043,938</u>	<u>9,839,110</u>
Basic and diluted earnings per share (fiils)	24	<u>23.82</u>	<u>21.39</u>



Essa Mohamed Najibi
Chairman



Mustafa Al-Sayed
Vice Chairman



Ahmed Yusuf
Chief Executive Officer

The attached notes 1 to 29 form part of these consolidated financial statements.

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 BD	2015 BD
OPERATING ACTIVITIES			
Profit for the year		11,043,938	9,839,110
Adjustments for:			
Depreciation	6	1,002,101	884,268
Loss (gain) on disposal of property, equipment and furniture		185	(1,512)
Profit on term deposits		(394,844)	(420,640)
Finance costs		94,961	-
Directors' remuneration	27	245,500	210,500
Donations and charitable contributions		175,000	165,000
Provision for doubtful debts	10	115,579	296,658
Provision for employees' end of service benefits	17	67,685	57,252
Unrealised fair value gain on investment properties	8	(928,068)	(998,563)
Gain on acquisition of a subsidiary	5	(267,562)	-
Elimination of intercompany charges		-	9,141
Share of profit from joint ventures	9	(561,658)	(494,372)
Operating profit before working capital changes		10,592,817	9,546,842
Working capital changes:			
Trade and other receivables		(400,833)	(90,148)
Trade and other payables		(284,964)	184,404
		9,907,020	9,641,098
Employees' end of service benefits paid	17	(18,318)	(29,653)
Directors' remuneration paid		(245,500)	(210,500)
Donations and charitable contributions paid		(197,604)	(179,295)
Net cash flows from operating activities		9,445,598	9,221,650
INVESTING ACTIVITIES			
Purchase of property, equipment and furniture	6	(125,046)	(340,292)
Proceeds from disposal of property, equipment and furniture		402	6,185
Capital work-in-progress	7	(175,546)	(26,721)
Additions to investment properties	8	(153,818)	(178,279)
Cash received from acquisition of a subsidiary	5	1,143,176	-
Acquisition of a subsidiary	5	(1,800,000)	-
Additional investment in joint venture	9	(8,645,000)	-
Net movement in term deposits		10,168,176	(4,511,530)
Profit on term deposits received		585,983	295,751
Net cash flows from (used in) investing activities		998,327	(4,754,886)
FINANCING ACTIVITIES			
Dividends paid	18	(5,207,509)	(4,810,907)
Movement in bank balances representing unclaimed dividends		(1,009,489)	(4,244,037)
Term loan paid	16	(124,931)	-
Finance costs paid		(94,961)	-
Net cash flows used in financing activities		(6,436,890)	(9,054,944)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,007,035	(4,588,180)
Cash and cash equivalents at 1 January		1,896,057	6,484,237
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	5,903,092	1,896,057

Non-cash items:

- 1) Movement in donations and charitable contributions amounting to BD 22,604 (2015: BD 14,295) has been excluded from trade and other payables.
- 2) Movement in profit on term deposits of BD 191,139 (2015: BD 124,889) has been excluded from trade and other receivables.

The attached notes 1 to 29 form part of these consolidated financial statements.

Seef Properties B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Equity attributable to equity holders of the parent					Non-controlling interest BD	Total BD
		Share capital BD	Statutory reserve BD	Furniture and fixtures replacement reserve BD	Retained earnings* BD			
Balance at 1 January 2016		46,000,000	18,110,000	153,923	70,573,262	-	134,837,185	
Total comprehensive income		-	-	-	10,956,916	87,022	11,043,938	
Dividends declared for 2015	15	-	-	-	(5,520,000)	-	(5,520,000)	
Transfer to statutory reserve	13	-	1,100,000	-	(1,100,000)	-	-	
Transfer to furniture and fixtures replacement reserve	14	-	-	75,377	(75,377)	-	-	
Utilisation of furniture and fixtures replacement reserve		-	-	(11,030)	11,030	-	-	
Acquisition of a subsidiary	5	-	-	-	-	3,112,683	3,112,683	
Balance at 31 December 2016		46,000,000	19,210,000	218,270	74,845,831	3,199,705	143,473,806	
Balance at 1 January 2015		46,000,000	17,125,000	149,963	66,783,112	-	130,058,075	
Total comprehensive income		-	-	-	9,839,110	-	9,839,110	
Dividends declared for 2014	15	-	-	-	(5,060,000)	-	(5,060,000)	
Transfer to statutory reserve	13	-	985,000	-	(985,000)	-	-	
Transfer to furniture and fixtures replacement reserve	14	-	-	72,885	(72,885)	-	-	
Utilisation of furniture and fixtures replacement reserve		-	-	(68,925)	68,925	-	-	
Balance at 31 December 2015		46,000,000	18,110,000	153,923	70,573,262	-	134,837,185	

* Retained earnings include BD 233,029 (2015: BD 25,000) relating to the statutory reserve of the subsidiaries.

The attached notes 1 to 29 form part of these consolidated financial statements.

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

1 ACTIVITIES

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

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

The Group is primarily engaged in the real estate business and also provides leisure and recreational game facilities. The Group owns and manages the Seef Mall, the Isa Town Mall, Muharraq Seef 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 21 February 2017.

The subsidiaries of the Company are as follows:

<i>Name</i>	<i>Ownership interest</i>		<i>Country of incorporation</i>	<i>Principal activities</i>
	<i>2016</i>	<i>2015</i>		
Fraser Suites Seef - Bahrain S.P.C.	100%	100%	Kingdom of Bahrain	Hotel, tourist furnished flats and restaurants for tourist services management.
Muharraq Mall Co. W.L.L.	72.5%	-	Kingdom of Bahrain	Management of real estate including malls. Until 9 October 2016, Muharraq Mall Co. W.L.L. was a joint venture.

The Company's joint ventures are as follows:

<i>Name of joint ventures</i>	<i>Ownership interest</i>		<i>Country of incorporation</i>	<i>Principal activities</i>
	<i>2016</i>	<i>2015</i>		
Muharraq Mall Co. W.L.L.	-	50%	Kingdom of Bahrain	Management of real estate including malls. The joint venture was converted into a subsidiary effective 10 October 2016.
Lama Real Estate W.L.L.	50%	-	Kingdom of Bahrain	Real estate business.

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, 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.

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 consolidated financial statements are presented in Bahraini Dinars (BD) which is the functional currency of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2016. 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.

New and amended standards and interpretations effective as of 1 January 2016

The accounting and reporting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for certain new standards and interpretations and amendments to standards and interpretations adopted by the Group as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard or amendment is described below:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2016 (continued)

IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly requirements. The amendments clarify:

- the materiality requirements;
- that entities have flexibility as to the order in which they present the notes to the consolidated financial statements;
- that specific line items in the consolidated statements of financial position, income and other comprehensive income and may be disaggregated; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the consolidated statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statements of financial position, income and other comprehensive income. These amendments were effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the consolidated financial statements.

IAS 16 and IAS 38 (Amendments) - Clarification of acceptable methods of depreciation and amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a 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 applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments 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 their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

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 Business Combinations principles for business combination 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 if 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 applied prospectively.

Several other new standards and amendments apply for the first time in 2016. However, they do not impact the consolidated financial statements of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

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

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

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

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

Current versus non-current classification

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

An asset is presented as current when it is:

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

All other assets are classified as non-current.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is presented as current when:

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

The Group classifies all other liabilities as non-current.

Investment in joint ventures

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

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

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

The Group's investment in joint ventures 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 other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, equipment and furniture

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

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

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

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

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

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

Capital work-in-progress

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

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

Investment properties

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

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

Impairment of non-financial assets

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

- | | |
|---|--------|
| - Disclosures for significant assumptions | Note 3 |
| - Property, equipment and furniture | Note 6 |

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

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

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

Financial instruments – initial recognition and subsequent measurement

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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.

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 10 |

At 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)

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 certain items of trade and other payables, unclaimed dividends payable and term loan.

Trade and other payables

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

Loans and borrowings

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

Derecognition

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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 8 |
| - Quantitative disclosures of fair value measurement hierarchy | Note 29 |

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

Borrowing costs

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

Provisions

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

Employees' end of service benefits

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

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.

At 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

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

Revenue recognition

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

Rental income

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

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

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

Service charges and expenses recoverable from tenants

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

Interest income

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

Foreign currencies

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- | | |
|--|---------|
| - Capital management | Note 28 |
| - Financial risk management and policies | Note 28 |
| - Sensitivity analyses disclosures | Note 28 |

Judgements

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

Going concern

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

Operating lease commitments - Group as a lessor

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

Estimates and assumptions

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

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 2016 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.

At 31 December 2016

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in note 8.

Useful lives of property, equipment and furniture

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

Impairment of trade receivables

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

At the consolidated statement of financial position date, gross trade receivables were BD 2,121,518 (2015: BD 1,553,532) and provision for doubtful debts was BD 905,494 (2015: BD 782,672). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 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 2018 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.

IFRS 16 Leases

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

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 Lease (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

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

IAS 7 Statement of Cash Flows

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

5 ACQUISITION OF A SUBSIDIARY THROUGH PURCHASE OF ADDITIONAL SHARES

Until 9 October 2016, the Group had a 50% ownership interest in Muharraq Mall Co. W.L.L. (MMC). On 10 October 2016, the Group increased its holding in the share capital of MMC to 72.5% through the purchase of additional shares. As a result, effective 10 October 2016, MMC became a subsidiary of the Group and has been consolidated from that date. The Group invested in MMC to diversify its operations in the real estate industry.

The Group has elected to measure the non-controlling interest in the acquiree at fair value.

The fair values of assets and liabilities of MMC on the date of acquisition are as follows:

	<i>Fair values recognised on acquisition BD</i>
Assets	
Property, equipment and furniture	21,988,760
Trade and other receivables	278,147
Cash and bank balances	1,143,176
	<u>23,410,083</u>
Liabilities	
Term loan	9,517,520
Trade and other payables	2,573,717
	<u>12,091,237</u>
Total indefinable net assets at fair value	11,318,846
Less: Carrying value of Muharraq Mall already carried in the books (note 9)	(6,138,601)
Less: Cash consideration paid for additional 22.5% shares	(1,800,000)
Less: Non-controlling interest	(3,112,683)
Gain on acquisition of a subsidiary	<u><u>267,562</u></u>
The net cash inflow on the acquisition of MMC is as follows:	
Bank balance and cash	<u><u>1,143,176</u></u>

From the date of acquisition, MMC has contributed BD 938,887 of revenue and BD 316,444 to the profit of the Group. If the acquisition had taken place at the beginning of the year, revenue of the Group for the year would have been BD 20,037,235 and profit of the Group for the year would have been BD 11,554,836.

Seef Properties B.S.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

6 PROPERTY, EQUIPMENT AND FURNITURE

2016	<i>Building on leasehold land BD</i>	<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
Cost:					
At 1 January 2016	-	5,213,746	4,682,424	144,288	10,040,458
Additions	2,450	86,757	35,839	-	125,046
Transfers from:					
Capital-work-in progress (note 7)	-	-	4,392	-	4,392
Investment properties (note 8)	-	(9,609)	-	-	(9,609)
Disposals	-	(125,232)	(13,958)	-	(139,190)
Acquisition of a subsidiary (note 5)	21,936,305	24,332	28,123	-	21,988,760
At 31 December 2016	21,938,755	5,189,994	4,736,820	144,288	32,009,857
Depreciation:					
At 1 January 2016	-	4,117,929	2,604,815	113,577	6,836,321
Charge for the year	145,616	422,488	423,957	10,040	1,002,101
Relating to disposals	-	(124,829)	(13,774)	-	(138,603)
At 31 December 2016	145,616	4,415,588	3,014,998	123,617	7,699,819
Net carrying values: At 31 December 2016	21,793,139	774,406	1,721,822	20,671	24,310,038
2015					
		<i>Equipment BD</i>	<i>Furniture and fixtures BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
Cost:					
At 1 January 2015		5,138,894	4,178,209	119,921	9,437,024
Additions		209,636	113,437	17,219	340,292
Transfers from:					
Capital-work-in progress (note 7)		59,909	390,778	7,148	457,835
Disposals		(194,693)	-	-	(194,693)
At 31 December 2015		5,213,746	4,682,424	144,288	10,040,458
Depreciation:					
At 1 January 2015		3,853,211	2,188,922	99,940	6,142,073
Charge for the year		454,738	415,893	13,637	884,268
Relating to disposals		(190,020)	-	-	(190,020)
At 31 December 2015		4,117,929	2,604,815	113,577	6,836,321
Net carrying values: At 31 December 2015		1,095,817	2,077,609	30,711	3,204,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

6 PROPERTY, EQUIPMENT AND FURNITURE (continued)

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

	2016 <i>BD</i>	2015 <i>BD</i>
Cost of sales (note 20)	364,345	238,267
Expenses	637,756	646,001
	<u>1,002,101</u>	<u>884,268</u>

7 CAPITAL WORK-IN-PROGRESS

	2016 <i>BD</i>	2015 <i>BD</i>
At 1 January	31,299	1,784,805
Capital expenditure incurred during the year	175,546	26,721
Transfers to property, equipment and furniture (note 6)	(4,392)	(457,835)
Transfers to investment properties (note 8)	(26,611)	(1,322,392)
At 31 December	<u>175,842</u>	<u>31,299</u>

8 INVESTMENT PROPERTIES

	2016 <i>BD</i>	2015 <i>BD</i>
At 1 January	110,682,734	108,183,500
Expenditure incurred during the year	153,818	178,279
Transfers from property, equipment and furniture (note 6)	9,609	-
Transfers from capital work-in-progress (note 7)	26,611	1,322,392
Unrealised fair value gain	928,068	998,563
At 31 December	<u>111,800,840</u>	<u>110,682,734</u>

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

At 31 December 2016 and 31 December 2015, 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 29.

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

8 INVESTMENT PROPERTIES (continued)

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)	
		2016	2015
Seef Mall	Estimated rental value per annum	BD 10,082,220	BD 9,560,691
	Occupancy rate	98%	93%
	Discount rate	9.00%	7.50%
Isa Town Mall	Estimated rental value per annum	BD 864,528	BD 792,576
	Occupancy rate	99%	99%
	Discount rate	9.50%	9.50%
Fraser Suites - Seef	Estimated rental value per annum	BD 2,512,568	BD 2,429,510
	Occupancy rate	75%	75%
	Discount rate	10.00%	10.00%
Other commercial properties	Estimated rental value per annum	BD 1,068,871	BD 1,054,903
	Occupancy rate	100%	100%
	Discount rate	3.0% - 10.0%	3.0% - 10.0%

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

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

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

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

9 INVESTMENT IN JOINT VENTURES

	2016 BD	2015 BD
At 1 January	5,589,299	5,104,068
Addition during the year	8,645,000	-
Share of profit during the year	561,658	494,372
Elimination of intercompany charges	-	(9,141)
Carrying value of investment in joint venture acquired through purchase of additional shares (note 5)	(6,138,601)	-
At 31 December	8,657,356	5,589,299

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

9 INVESTMENT IN JOINT VENTURES (continued)

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

	2016 BD	2015 BD
<i>Joint venture's summarised statements of financial position:</i>		
Current assets	8,817,111	2,299,723
Non-current assets	9,030,759	22,408,373
Current liabilities	(533,159)	(5,094,866)
Non-current liabilities	-	(9,392,987)
	<u>17,314,711</u>	<u>10,220,243</u>
Equity	50%	50%
Proportion of the Group's ownership	<u>8,657,356</u>	<u>5,110,122</u>
Group's carrying amount of the investment	8,657,356	5,110,122

	2016 BD	2015 BD
<i>Summarised statements of comprehensive income:</i>		
Revenue	2,630,373	2,971,793
Cost of sales	(1,104,860)	(1,384,437)
Other operating income	143,197	213,563
Expenses	(265,993)	(491,697)
Finance costs	(279,402)	(320,479)
	<u>1,123,315</u>	<u>988,743</u>
Profit for the year	1,123,315	988,743
Group's share of profit for the year	561,658	494,372

The joint ventures had no material contingent liabilities at 31 December 2016 and 31 December 2015. The joint ventures cannot distribute their profits until it obtains the consent from both venture partners. The Group's share of joint venture's capital commitments at reporting date is disclosed in note 25.

10 TRADE AND OTHER RECEIVABLES

	2016 BD	2015 BD
Rents and service charges receivable	2,096,291	1,553,532
Less: provision for doubtful debts	(880,267)	(782,672)
	<u>1,216,024</u>	<u>770,860</u>
Due from related parties (note 27)	252,421	140,546
Other receivables [net of provision of BD 131,700 (2015: BD 131,700)]	77,259	288,548
Prepayments	180,412	170,877
Advances to suppliers	21,437	4,460
	<u>1,747,553</u>	<u>1,375,291</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 27.

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

10 TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2016, trade and other receivables of BD 1,011,967 (2015: BD 914,372) were impaired and provided for. The movement in the provision for trade and other receivables is as follows:

	2016 BD	2015 BD
At 1 January	914,372	617,714
Charge for the year	115,579	296,658
Write back during the year	(17,984)	-
At 31 December	<u>1,011,967</u>	<u>914,372</u>

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

	2016 BD	2015 BD
Provision for trade receivables	880,267	782,672
Provision for other receivables	131,700	131,700
At 31 December	<u>1,011,967</u>	<u>914,372</u>

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
2016	1,216,024	815,438	52,160	165,703	182,723
2015	770,860	480,299	50,111	202,749	37,701

11 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.

	2016 BD	2015 BD
Cash on hand, bank balances and term deposits	15,908,680	21,060,332
Less: Term deposits with original maturity of more than three months	(3,397,999)	(13,566,175)
Bank balances representing unclaimed dividends *	(6,607,589)	(5,598,100)
	<u>5,903,092</u>	<u>1,896,057</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 at 31 December 2016 range between 1.45% to 3.00% (2015: 1.20% to 4.00%).

* Refer to note 18 for details of unclaimed dividends.

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

12 SHARE CAPITAL

	2016 BD	2015 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 (2015: 460,000,000 shares) of BD 0.100 each	<u>46,000,000</u>	<u>46,000,000</u>

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	2016 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
		<u>51.08%</u>	<u>234,981,359</u>

Name	Nationality	Percentage of shareholding interest	2015 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
		<u>51.08%</u>	<u>234,981,359</u>

b) Distribution of share capital is as follows:

As of 31 December 2016:

Category	No. of shares	No. of shareholders	Percentage of total outstanding
Less than 1%	202,008,213	21,886	43.92%
1% up to less than 5%	23,010,428	3	5.00%
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%
	<u>460,000,000</u>	<u>21,893</u>	<u>100.00%</u>

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

12 SHARE CAPITAL (continued)

b) Distribution of share capital is as follows:

As of 31 December 2015:

Category	No. of shares	No. of shareholders	Percentage of total outstanding
Less than 1%	201,758,353	21,952	43.86%
1% up to less than 5%	23,260,288	3	5.06%
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%
	<u>460,000,000</u>	<u>21,959</u>	<u>100.00%</u>

13 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 1,100,000 (2015: BD 985,000) of its profit for the year to its statutory reserve.

14 FURNITURE AND FIXTURES REPLACEMENT RESERVE

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

15 DIVIDENDS DECLARED

On 21 February 2017, the Company's Board of Directors have proposed to pay a final dividend of BD 0.014 per share totalling BD 6,440,000 subject to approval at the Annual General Meeting.

At the Annual General Meeting held on 16 March 2016, the Company's shareholders approved to pay a final dividend of BD 0.012 per share totalling BD 5,520,000. Dividends paid amounting to BD 5,207,509 relate to 2015 and before (note 18).

At the Annual General Meeting held on 17 March 2015, the Company's shareholders approved to pay a final dividend of BD 0.011 per share totalling BD 5,060,000. Dividends paid amounting to BD 4,810,907 relate to 2014 and before (note 18).

16 TERM LOAN

This represents term loan facility obtained by MMC from a commercial bank in the Kingdom of Bahrain to finance the development of Muharraq Seef Mall. The loan carries interest at the rate of 3.15% plus 3 months LIBOR and is repayable in 24 quarterly instalments commencing from March 2016 until December 2021. The effective interest rate on the loan at 31 December 2016 was 3.19% (2015: 3.29%).

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

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

16 TERM LOAN (continued)

Movement in the term loan is as follows:

	2016 BD
Acquisition of a subsidiary (note 5)	9,517,520
Loan paid	(124,931)
At 31 December	9,392,589

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

	2016 BD
Current	748,958
Non-current	8,643,631
	9,392,589

17 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 2016 amounted to BD 108,973 (2015: BD 94,951).

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

	2016 BD	2015 BD
At 1 January	242,118	214,519
Charge for the year	67,685	57,252
Paid during the year	(18,318)	(29,653)
At 31 December	291,485	242,118

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

	2016 BD	2015 BD
Staff costs (note 22)	47,123	36,888
Cost of sales	20,562	20,364
	67,685	57,252

18 UNCLAIMED DIVIDENDS

	2016 BD	2015 BD
At 1 January	4,907,856	4,658,763
Dividends declared (note 15)	5,520,000	5,060,000
Dividends paid (note 15)	(5,207,509)	(4,810,907)
At 31 December	5,220,347	4,907,856

Seef Properties B.S.C.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

At 31 December 2016

19 TRADE AND OTHER PAYABLES

	2016	2015
	BD	BD
Trade payables	372,349	156,988
Accrued expenses	973,497	877,636
Deferred income	804,860	450,497
Retentions payable	1,023,240	74,033
Donations and charitable contributions payables	104,284	126,888
Other payables	419,825	109,283
Rent received in advance	120,906	62,702
Deposit payable	403,121	97,906
	4,222,082	1,955,933

Terms and conditions of the above financial liabilities:

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

20 COST OF SALES

	2016	2015
	BD	BD
Staff costs	625,368	610,365
Utilities	758,847	629,338
Cleaning	519,926	476,924
Maintenance	362,690	390,919
Depreciation (note 6)	364,345	238,267
Insurance	59,177	56,134
Food and beverage costs	67,512	63,490
Property tax	31,260	31,260
Direct costs incurred on leisure and recreational facilities	72,296	94,283
Room related expenses	102,040	91,103
Rent expense	62,500	-
Miscellaneous	145,008	215,431
	3,170,969	2,897,514

21 OTHER OPERATING INCOME

	2016	2015
	BD	BD
Kiosk, antenna, ATM and GSM income	653,701	560,009
Advertising and promotional income	205,358	222,409
Car park income	77,684	94,287
Miscellaneous income	348,685	257,397
	1,285,428	1,134,102

Seef Properties B.S.C.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

At 31 December 2016

22 STAFF COSTS

	2016	2015
	BD	BD
Basic salaries	1,212,361	1,042,616
Allowances	237,778	226,865
Bonuses	135,725	117,096
Social insurance	111,001	100,880
Medical insurance	47,560	43,583
End of service benefits (note 17)	47,123	36,888
Others	82,925	104,339
	<u>1,874,473</u>	<u>1,672,267</u>

23 GENERAL, ADMINISTRATION, MARKETING AND ADVERTISEMENT

	2016	2015
	BD	BD
Marketing and advertisement expenses	667,598	493,666
Security and other labour expenses	223,722	253,411
Legal and professional fees	145,533	127,362
Office expenses	121,004	132,033
Incentive fees	91,865	92,265
Maintenance expenses	53,143	78,103
Management fees	62,814	60,738
Board sitting fees	31,200	26,299
Travelling and transportation expenses	19,820	20,018
Miscellaneous	46,530	66,146
	<u>1,463,229</u>	<u>1,350,041</u>

24 EARNINGS PER SHARE

	2016	2015
Profit for the year attributable to equity holders of Seef Properties B.S.C. – BD	<u>10,956,916</u>	<u>9,839,110</u>
Weighted average number of shares outstanding	<u>460,000,000</u>	<u>460,000,000</u>
Basic and diluted earnings per share (fils)	<u>23.82</u>	<u>21.39</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

25 COMMITMENTS AND CONTINGENCIES*a) Capital commitments*

Capital expenditure commitments outstanding at the reporting date but not yet provided for, are as follows:

	2016 BD	2015 BD
Seef Mall, Isa Town Mall and Magic Island renovation works	304,835	115,080
Muharraq Seef Mall	7,715	27,695
	<u>312,550</u>	<u>142,775</u>

b) Operating lease commitments

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

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

	2016 BD	2015 BD
Within one year	250,000	125,000
After one year but not more than five years	1,000,000	500,000
More than five years	8,041,667	4,145,833
	<u>9,291,667</u>	<u>4,770,833</u>

c) Other commitments

Muharraq Mall Co. W.L.L. is expected to pay a royalty charge of 2.75% (2015: 2.75%) of its gross rental income receivable to the lessor commencing from the year 2022 until the end of the lease term in 2053.

d) Legal cases

In the ordinary course of business, the Group is subject to legal claims. The 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 initially lost the case, however, it has filed an appeal against the ruling. The third party is seeking damages equal to BD 202,811 (2015: BD 202,811). Judgement on the Group's favour was issued as of 31 December 2016. Accordingly, no provision for any liability has been made in these consolidated financial statements.

e) Guarantee

The Company, along with the other shareholder, has signed a joint and several corporate guarantees towards term loan obtained by MMC from a commercial bank.

At 31 December 2016

26 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

Seef Properties B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

26 SEGMENT INFORMATION (continued)

	Malls and properties		Serviced apartments		Leisure and entertainment		Others		Elimination		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Income from external operations	11,030,330	9,827,979	2,512,568	2,429,510	1,840,947	1,771,925	-	-	-	-	15,383,845	14,029,414
Inter-segment income	233,541	220,740	-	-	-	-	-	-	(233,541)	(220,740)	-	-
Less: cost of sales	1,582,132	1,325,163	787,037	749,487	1,035,341	1,043,604	-	-	(233,541)	(220,740)	3,170,969	2,897,514
Gross profit	9,681,739	8,723,556	1,725,531	1,680,023	805,606	728,321	-	-	-	-	12,212,876	11,131,900
Other operating income	-	-	-	-	84,733	-	1,200,695	1,134,102	-	-	1,285,428	1,134,102
Profit on term deposits	-	-	-	-	-	-	394,844	420,640	-	-	394,844	420,640
Operating profit	9,681,739	8,723,556	1,725,531	1,680,023	890,339	728,321	1,595,539	1,554,742	-	-	13,893,148	12,686,642
Expenses												
Staff costs	1,623,265	1,404,196	251,208	268,071	-	-	-	-	-	-	1,874,473	1,672,267
General and administration, marketing and advertisement	969,034	870,738	427,945	382,733	66,250	96,570	-	-	-	-	1,463,229	1,350,041
Depreciation	208,445	224,937	70,975	61,853	358,336	359,211	-	-	-	-	637,756	646,001
Directors' remuneration	245,500	210,500	-	-	-	-	-	-	-	-	245,500	210,500
Donations and charitable contributions	175,000	165,000	-	-	-	-	-	-	-	-	175,000	165,000
Provision for doubtful debts	115,579	296,658	-	-	-	-	-	-	-	-	115,579	296,658
Profit from operations	6,344,916	5,551,527	975,403	967,366	465,753	272,540	1,595,539	1,554,742	-	-	9,381,611	8,346,175
Finance costs	(94,961)	-	-	-	-	-	-	-	-	-	(94,961)	-
Unrealised fair value gain on investment properties	928,068	998,563	-	-	-	-	-	-	-	-	928,068	998,563
Share of profit from joint ventures	561,658	494,372	-	-	-	-	-	-	-	-	561,658	494,372
Gain on acquisition of a subsidiary	267,562	-	-	-	-	-	-	-	-	-	267,562	-
Segment profit for the year	8,007,243	7,044,462	975,403	967,366	465,753	272,540	1,595,539	1,554,742	-	-	11,043,938	9,839,110
Total assets	153,038,194	132,820,428	12,702,593	12,667,400	2,068,867	2,642,120	-	-	(5,209,346)	(6,186,856)	162,600,309	141,943,092
Total liabilities	18,838,611	6,855,316	5,497,237	6,437,447	-	-	-	-	(5,209,346)	(6,186,856)	19,126,503	7,105,907
Capital expenditure	373,384	230,772	37,136	117,159	43,890	197,361	-	-	-	-	454,410	545,292

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

Seef Properties B.S.C.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

27 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:

	2016		2015	
	<i>Cost of sales</i> <i>BD</i>	<i>Other operating income</i> <i>BD</i>	<i>Cost of sales</i> <i>BD</i>	<i>Other operating income</i> <i>BD</i>
Muharrag Mall Co. W.L.L. *	38,403	123,444	46,937	196,910

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

* This includes transactions up to 30 September 2016 (prior to acquisition of subsidiary).

The Group has entered into transactions with companies in which certain directors have an interest with. During the year ended 31 December 2016, the Group incurred BD 6,263 (2015: BD 70,484) transactions in connection with these companies.

Balances with related parties included in the consolidated statement of financial position (note 10) are as follows:

	<i>Receivables</i>	
	<i>2016</i> <i>BD</i>	<i>2015</i> <i>BD</i>
Muharrag Mall Co. W.L.L.	-	140,546
Lama Real Estate W.L.L.	252,421	-
	252,421	140,546

Compensation of key management personnel

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

	<i>2016</i> <i>BD</i>	<i>2015</i> <i>BD</i>
Directors' remuneration	245,500	210,500
Management short-term benefits	218,200	163,335
Management end of service benefits	10,830	11,375
	474,530	385,210

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

27 RELATED PARTY TRANSACTIONS (continued)

Outstanding balances at 31 December arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the years ended 31 December 2016 and 31 December 2015, the Group has not recorded any impairment of amounts owed by related parties.

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:

	2016	2015
Number of shares	1,877,680	1,927,680
Percentage of holdings	0.41%	0.42%

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

	2016	2015
	<i>No. of shares</i>	<i>No. of shares</i>
Essa Mohamed Najibi	633,854	633,854
Abdul Jalil Mohammed Janahi	100,000	100,000
Ahmed Yousif Abdulla	-	100,000
Hisham Jaffer Al Rayyes	100,000	100,000
May Khalifa Showaiter	-	100,000
Sattam Sulaiman Al-Gosaibi	843,826	793,826
Saqer Shaheen Saqer	100,000	-
Yousif Ahmed Al-Hammadi	100,000	100,000
	1,877,680	1,927,680

28 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.

28 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 39% of outstanding trade receivables at 31 December 2016 (2015: 24%).

Liquidity risk

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

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

2016	On demand BD	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	Total BD
Unclaimed dividends	5,220,347	-	-	-	5,220,347
Trade and other payables	180,253	692,180	1,440,386	-	2,312,819
Term loan	-	277,279	825,891	9,390,230	10,493,400
	5,400,600	969,459	2,266,277	9,390,230	18,026,566

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2015	On demand BD	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	Total BD
Unclaimed dividends	4,907,856	-	-	-	4,907,856
Trade and other payables	271,707	179,541	112,238	-	563,486
	<u>5,179,563</u>	<u>179,541</u>	<u>112,238</u>	<u>-</u>	<u>5,471,342</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 2016 and 31 December 2015. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. For the purpose of the Group's capital management, equity includes share capital, statutory reserve, furniture and fixtures replacement reserve, retained earnings and equity attributable to non-controlling interest and is measured at 31 December 2016 at BD 143,473,806 (2015: BD 134,837,185).

29 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

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

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

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

	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	
Assets measured at fair value					
Investment properties	31 December 2016	-	-	111,800,840	111,800,840

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

29 FAIR VALUE MEASUREMENT (continued)

	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
		<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Assets measured at fair value					
Investment properties	<i>31 December 2015</i>	-	-	110,682,734	110,682,734

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

Movement in the revalued investment properties and reconciliation of Level 3 fair value hierarchy is disclosed in note 8.