

Reef Real Estate Finance Co. B.S.C. (c)

**Consolidated financial statements for the
year ended 31 December 2017**

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Consolidated financial statements for the year ended 31 December 2017

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Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 31 December 2017

| | |
|---|--|
| Commercial registration no. | 58073 obtained on 10 September 2005 |
| CBB license | FC/001 obtained on 5 May 2005 |
| Board of Directors | Mr Ali Ahmed Al Baghli (Chairman) Mr Saud A.Aziz Kanoo (Vice-Chairman) Mr Faisal Al Matrook Mr Nasser Abdulhadi Al Gharibah Mr Abdulhamid Mehriz (2 November 2017 onwards) Mr Yaser Al Jar Mr Waleed Al Khaja Mr Samer Abbouchi (Till May 2017) |
| Chief Executive Officer | Mr Hasan Dhaif |
| Executive Committee | Mr Faisal Al Matrook (Chairman) Mr Nasser Abdulhadi Al Gharibah Mr Abdulhamid Mehriz (2 November 2017 onwards) Mr Samer Abbouchi (Till May 2017) |
| Nomination and Remuneration Committee | Mr Ali Ahmed Al Baghli (Chairman) Mr Saud A.Aziz Kanoo Mr Faisal Al Matrook |
| Audit and Corporate Governance Committee | Mr Saud A.Aziz Kanoo (Chairman) Mr Yaser Al Jar Mr Waleed Al Khaja |
| Sharia'a Supervisory Advisor | Shaikh Dr. Osama Bahar |
| Registered office | Kanoo Tower Flat 114, Building 155 Road 1703, Block 317 PO Box 18599 Diplomatic Area, Manama Kingdom of Bahrain |
| Bankers | Ithmaar Bank Ahli United Bank Kuwait Finance House Khaleeji Commercial Bank BMI Bank Al Salam Bank Bahrain Islamic Bank Al Baraka Islamic Bank |
| Auditors | BDO 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain |

In the name of Allah, All-Merciful, the Mercy-Giving. And may peace and prayers be upon our Prophet Muhammed, and on all his family and Companions. Peace be upon you all and God's mercy and blessings.

Dear valued Shareholders,

I am delighted to present to you the annual report for the financial year ended 31 December 2017, wishing the Almighty to receive your satisfaction and approval.

I would also like to announce that your company Reef Real Estate Finance Company BSC (c) has continued to achieve positive financial results with net profit for the fiscal year ended 2017 amounting to 1.3 million Bahraini Dinars, representing the highest net profit achieved since 2009.

The increase in net profit was not the only positive indicator of 2017, as the total assets of the Company has increased by more than 1 million Bahraini Dinars during the year reaching to 28 million Bahraini Dinars compared to 27 million Bahraini Dinars in 2016. Total shareholders' equity increased to approximately 27 million Bahraini Dinars, and the Earning Per Share has increased to 5.9 fils.

In addition to the Company's continuous efforts to attain best results and maximizing shareholders return in the face of tough global financial market, the Board of Directors continued their efforts to maintain a positive level of operating income which has exceeded 2.2 million Bahraini Dinars and we continued to shrink operational cost to exceptional levels that were never witnessed before.

Dear Shareholders,

In the keenness of the Board of Directors on implementing the outcome of the previous Extra-ordinary general assembly meeting converting to de-license as a financing Company and continue to operate as an investment Company. We hereby inform you that the Board is sparing no effort in implementing the decision, taking into consideration the requirements of the Central Bank of Bahrain "Volume 5" which stipulates that the Company must liquidate its entire mortgage portfolio in order to de-license. Thus, the Company has sold and transferred the financing portfolio to Al Baraka Islamic Bank, Bahrain, which is an achievement in itself considering the difficult economic circumstances. This would be the first transaction of its kind in the Kingdom of Bahrain.

Therefore, the Company in the process of completing all the requirements of the Central Bank of Bahrain and the legal procedures to change the activity of the company with the Ministry of Industry, Trade and Tourism.

Based on the Company's performance for the year 2017, the Company's Board of Directors has proposed at its meeting held on 15th February 2018, cash dividends of 1.1 million Bahraini Dinars, which is equivalent to 5% of the net issued and paid up capital, subject to the necessary approvals from the concerned authorities.

I would also like to inform you that the current term of the Board is nearing completion and that a new Board will be elected during the Annual General Meeting of 2018. I would also like to express my sincere thanks and gratitude for the trust you have extended to the Board over the past years, which has not failed to provide all the expertise and continuous efforts to achieve the Company's strategic and financial objectives, wishing the new Board all the best and success.

I would like to extend on behalf of the respected shareholders our sincere thanks and appreciation to all board members for their outstanding services and efforts over the past three years, wishing them every success.

Finally, I would like to express our sincere thanks to the shareholders for their continued support and guidance since the establishment of the company to this day. Our thanks are also extended to all official authorities in the Kingdom of Bahrain and in particular the Central Bank of Bahrain, Ministry of Industry, Trade and Tourism, and Survey and Land Registration Bureau.

God grants success



Ali Ahmed Al Baghli

Chairman of the Board of Directors

Praise be to Allah, prayer and peace upon our master Muhammad the Imam of the Prophets and Messengers and his family and companions and allies.

It has been submitted to the Company's Sharia'a Supervisory Advisor the investment and financing operations as well as the activities done by the Company. The Sharia'a Supervisory Advisor as well reviewed the audited financial statements for the period from 1st January 2017 to 31st December 2017.

The review was commissioned to issue an opinion on whether the Company had followed the principles and provisions of the Islamic Sharia'a and fatwas issued by the Sharia'a Advisor of the Company. Where the responsibility lies with the Company to ensure that its operations are in compliance with the issued Sharia'a legitimate, our responsibility is limited to express an independent opinion on the Company's operations done during the current year, and therefore decides the following:

1. The Company's contracts, transactions and operations for the year ended 31st December 2017 are in compliance with the provisions and principles of Islamic Sharia'a.
2. The calculation of the Company's profits and the losses charged to its investment operations are in compliance with the provisions and principles of the Islamic Sharia'a.
3. The realized earnings from sources that are not compatible with the principles and provisions of Shari'a have been donated for charitable purposes.
4. The Zakah has been calculated in accordance with the Sharia'a requirements.

And Allaah is the Source of Successes.

Shaikh Dr. Osama Mohammed Bahar
Shari'a Supervisory Advisor

Independent auditor's report to the shareholders of Reef Real Estate Finance B.S.C. (c)

Report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Reef Real Estate Finance Co. B.S.C. (c) ("the Company") and its subsidiaries (collectively referred as "the Group") as of 31 December 2017 and the related consolidated statements of income, changes in Owners' equity and cash flows and a summary of significant accounting policies and other explanatory information for the financial period then ended.

Responsibilities of Board of Directors and auditors

These consolidated financial statements and the Group's undertaking to operate in accordance with Shari'a Rules and Principles are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis for opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated statement financial position of the Group as of 31 December 2017, the results of its operations, its cash flows and its changes in Owners' equity for the year then ended in accordance with the Shari'a Rules and Principles and in accordance with the Financial Accounting Standards issued by AAOIFI.

Report on other legal and regulatory requirements

As required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001 and the Central Bank of Bahrain (CBB) Rule Book Volume 5, in respect of the Company, we report that: the Company has maintained proper accounting records and the financial statements are in agreement therewith; the financial information contained in the chairman's statement is consistent with the consolidated financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5 and applicable provision of Volume 2) and CBB directives, or the terms of the Company's license, Memorandum and Articles of Association having occurred during the year that might have had a material adverse effect on the business of the Company or on its consolidated financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests.

BDO

Manama, Kingdom of Bahrain
15 February 2018



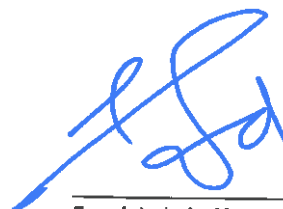
Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated statement of financial position as at 31 December 2017
 (Expressed in Bahraini Dinars)

| | Notes | 31 December 2017 | 31 December 2016 |
|---|---------|--------------------------|--------------------------|
| ASSETS | | | |
| Cash and bank balances | 4 | 7,788,532 | 7,430,437 |
| Investment securities | 5 | 16,107,392 | 14,635,962 |
| Ijarah Muntahia Bittamleek | 6 | 1,107,349 | 1,447,308 |
| Properties-under-development | 7 | 444,628 | 414,480 |
| Investment in real estate | 8 | 2,132,662 | 2,593,468 |
| Receivables and prepayments | 9 | 212,784 | 248,454 |
| Property and equipment | 10 | 8,240 | 15,244 |
| Total assets | | <u>27,801,587</u> | <u>26,785,353</u> |
| LIABILITIES AND OWNERS' EQUITY | | | |
| Liabilities | | | |
| Murabaha financing | 11 | 507,178 | - |
| Other liabilities | 12 | 372,468 | 476,278 |
| | | <u>879,646</u> | <u>476,278</u> |
| Owners' Equity | | | |
| Share capital | 13 | 24,042,900 | 24,042,900 |
| Treasury shares | 13 | (1,202,145) | (1,202,145) |
| Statutory reserve | 14(i) | 1,466,427 | 1,332,524 |
| Properties fair value reserve | 14(ii) | 813,840 | 989,463 |
| Foreign currency translation reserve | 14(iii) | (438,135) | (1,127,635) |
| Investment fair value reserve | | (98,001) | - |
| Retained earnings | | 2,337,055 | 2,273,968 |
| | | <u>26,921,941</u> | <u>26,309,075</u> |
| Total liabilities and Owners' equity | | <u>27,801,587</u> | <u>26,785,353</u> |

These consolidated financial statements and notes from 1 to 23, set out on pages 7 to 37, were approved and authorised for issue by the Board of Directors on 15 February 2018 and signed on their behalf by:



Ali Ahmed Al Baghli
 Chairman




Saud A. Aziz Kanoo
 Vice Chairman

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated statement of income for the year ended 31 December 2017
 (Expressed in Bahraini Dinars)

| | <u>Notes</u> | <u>31 December 2017</u> | <u>31 December 2016</u> |
|--|--------------|-----------------------------|-----------------------------|
| Income | | | |
| Gross Ijarah income | | 361,208 | 655,736 |
| Less: Depreciation on Ijarah Muntahia Bittamleek | 6 | <u>(207,831)</u> | <u>(343,523)</u> |
| | | 153,377 | 312,213 |
| Profit from Mudaraba investments | | 120,076 | 37,875 |
| Profit from Murabaha financing | | - | 344,501 |
| Fees from financing activities | | 4,162 | 4,402 |
| Net rental income from investment in real estate | 8 | 74,865 | 69,394 |
| Profit from investment securities | 16 | 535,747 | 433,510 |
| Net gain on sale of investment in real estate | 8 | 102,453 | 119,286 |
| Net gain on sale on investment securities | | 994,148 | 2,015,120 |
| Recovery of provision of Ijarah Muntahia Bittamleek rental receivables | | 48,080 | - |
| Allowance no longer required for Ijarah Muntahia Bittamleek rental receivables, Murabaha financing and other receivables | | - | 231,101 |
| Foreign exchange gain/(loss) | | <u>171,691</u> | <u>(601,219)</u> |
| | | <u>2,204,599</u> | <u>2,966,183</u> |
| Expenses | | | |
| Staff costs | | 233,669 | 378,121 |
| General and administrative expenses | | 246,235 | 301,360 |
| Depreciation of property and equipment | 10 | 8,404 | 23,841 |
| Depreciation on investment in real estate | 8 | 855 | 4,444 |
| Finance costs | | 845 | - |
| Investment fees and charges | | 4,904 | 3,567 |
| Net unrealised fair value losses on fair valuation of investment securities | 5 | 370,659 | 1,044,016 |
| Allowances and provisions | 20(vi) | <u>-</u> | <u>5,428</u> |
| | | <u>865,571</u> | <u>1,760,777</u> |
| Net profit for the year | | <u>1,339,028</u> | <u>1,205,406</u> |
| Basic and diluted earnings per share | 17 | <u>Fils 5.9</u> | <u>Fils 5.3</u> |

These consolidated financial statements and notes from 1 to 23, set out on pages 7 to 37, were approved and authorised for issue by the Board of Directors on 15 February 2018 and signed on their behalf by:


 Ali Ahmed Al Baghli
 Chairman


 Saud A. Aziz Kanoo
 Vice Chairman

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated statement of changes in Owners' equity for the year ended 31 December 2017
(Expressed in Bahraini Dinars)

| | Notes | Share capital | Treasury shares | Statutory reserve | Properties fair value reserve | Charity reserve | Foreign currency translation reserve | Investment fair value reserve | Retained earnings | Total |
|--|-------|---------------|-----------------|-------------------|-------------------------------|-----------------|--------------------------------------|-------------------------------|-------------------|-------------|
| At 31 December 2015 | | 24,042,900 | (1,202,145) | 1,211,983 | 989,463 | 97 | - | - | 2,331,141 | 27,373,439 |
| Dividend paid for the year 2015 | 15 | - | - | - | - | - | - | - | (1,142,038) | (1,142,038) |
| Charity reserve movement | | - | - | - | - | (97) | - | - | - | (97) |
| Foreign currency translation loss | 5 | - | - | - | - | - | (1,127,635) | - | - | (1,127,635) |
| Net profit for the year | | - | - | - | - | - | - | - | 1,205,406 | 1,205,406 |
| Transferred to statutory reserve | 14(i) | - | - | 120,541 | - | - | - | - | (120,541) | - |
| At 31 December 2016 | | 24,042,900 | (1,202,145) | 1,332,524 | 989,463 | - | (1,127,635) | - | 2,273,968 | 26,309,075 |
| Dividend paid for the year 2016 | 15 | - | - | - | - | - | - | - | (1,142,038) | (1,142,038) |
| Net movement in properties fair value reserve on the of sale investment in real estate | | - | - | - | (175,623) | - | - | - | - | (175,623) |
| Net unrealised fair value losses on revaluation of investment securities | 5 | - | - | - | - | - | - | (98,001) | - | (98,001) |
| Foreign currency translation gain | 5 | - | - | - | - | - | 689,500 | - | - | 689,500 |
| Net profit for the year | | - | - | - | - | - | - | - | 1,339,028 | 1,339,028 |
| Transferred to statutory reserve | 14(i) | - | - | 133,903 | - | - | - | - | (133,903) | - |
| At 31 December 2017 | | 24,042,900 | (1,202,145) | 1,466,427 | 813,840 | - | (438,135) | (98,001) | 2,337,055 | 26,921,941 |

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated statement of cash flows for the year ended 31 December 2017
(Expressed in Bahraini Dinars)

| | <u>Notes</u> | <u>31 December 2017</u> | <u>31 December 2016</u> |
|---|--------------|-----------------------------|-----------------------------|
| Operating activities | | | |
| Net profit for the year | | 1,339,028 | 1,205,406 |
| Adjustments for: | | | |
| Depreciation on property and equipment | 10 | 8,404 | 23,841 |
| Depreciation on Ijarah Muntahia Bittamleek | 6 | 207,831 | 343,523 |
| Depreciation on investment in real estate | 8 | 855 | 4,444 |
| Net gain on sale of investment in real estate | | (102,453) | (119,286) |
| Gain on sale of investment securities | | (994,148) | (2,015,120) |
| Net unrealised fair value losses on revaluation of investment in securities | 5 | 370,659 | 1,044,016 |
| Foreign exchange (gain)/loss on translation of investment in securities | | (729,676) | 1,455,855 |
| Changes in operating assets and liabilities: | | | |
| Receivables and prepayments | | 35,670 | 438,674 |
| Other liabilities | | (103,810) | (99,581) |
| Net cash provided by operating activities | | <u>32,360</u> | <u>2,281,772</u> |
| Investing activities | | | |
| Net movement in Murabaha financing | | - | 4,439,397 |
| Net movement in Mudaraba investments above ninety days | | (3,030,314) | - |
| Additions in investment securities | 5 | (2,426,183) | (6,674,354) |
| Additions in properties-under-development | 7 | (30,148) | (2,300) |
| Purchase of property and equipment | 10 | (1,400) | (3,155) |
| Addition in investment in real estate | 8 | - | (100,768) |
| Net movement in the foreign currency translation reserve | | 689,500 | (1,127,635) |
| Net movement in Ijarah Muntahia Bittamleek | | 132,128 | 484,518 |
| Proceeds from sale of investment securities | | 2,209,917 | 3,782,232 |
| Proceeds from sale of investment in real estate | | 386,781 | 219,714 |
| Proceeds from sale of property and equipment | | - | 427 |
| Net cash (used in)/provided by investing activities | | <u>(2,069,719)</u> | <u>1,018,076</u> |
| Financing activities | | | |
| Murabaha financing | | 507,178 | - |
| Charity reserve movement | | - | (97) |
| Dividend paid | 15 | (1,142,038) | (1,142,038) |
| Net cash used in financing activities | | <u>(634,860)</u> | <u>(1,142,135)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (2,672,219) | 2,157,713 |
| Cash and cash equivalents, beginning of the year | | <u>7,430,437</u> | <u>5,272,724</u> |
| Cash and cash equivalents, end of the year | 4 | <u>4,758,218</u> | <u>7,430,437</u> |

1 Organisation and principal activities

Reef Real Estate Finance Co. B.S.C. (c) ("the Company") and its subsidiaries (collectively referred as "the Group"). The Company is a closed Bahraini shareholding company and operates as an Islamic financing company under license number 58073 granted by the Ministry of Industry Commerce and Central Bank of Bahrain ("CBB") license number FC/001 obtained on 3 May 2005. The Company commenced commercial operations on 10 September 2005.

The principal activities of the Group include:

- granting short and long-term financing facilities to consumers to finance the purchase and construction of real estate;
- providing leasing facilities with an option to buy;
- investing in real estate, industrial, agricultural and other economic sectors and dealing in shares of established companies; and
- buying and selling of properties, developing residential and commercial land, building residential and commercial units with the intent of their subsequent sale or lease.

The Group's activities are regulated by the CBB and supervised by a Shari'a Supervisory Advisor whose role has been defined by the Board of Directors.

The shareholders of the Company have decided in their last Extraordinary General Meeting held on 18 May 2017 to de-license its financing activities under Central Bank of Bahrain regulations. In order to facilitate the de-regulating process, the Company had to either run off the Ijara book or sell it off. The board has decided to opt for the latter and identified a local bank who has agreed to take over majority of the Ijara book of the Company (agreement dated 24 September 2017), whereas a relatively smaller remaining portfolio will be settled with the counterparties themselves. This sale agreement does not impact the book value of the recorded Ijara assets. The Central Bank of Bahrain has appointed an expert to ensure that the Company is not carrying out any regulated financing services.

The registered office of the Company is in the Kingdom of Bahrain.

The structure of the Group is as follows:

Subsidiaries

| <u>Name of subsidiary</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | <u>Effective ownership interest 2017</u> | <u>Effective ownership interest 2016</u> |
|-------------------------------|---------------------------------|---|--|--|
| First Reef B.S.C. (c) | Kingdom of Bahrain | Real estate activities with own or leased property | 99.9% | 99.9% |
| Reef Investment UK B.S.C. (c) | Kingdom of Bahrain | Trust, funds and similar financial entities - Special Purpose Vehicle (SPV) | 99.9% | 99.9% |

2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, modified by the valuation of investment in real estate and investment in securities which are measured at their fair values. The consolidated financial statements of Group have been prepared on a going concern basis as at 31 December 2017.

(a) Statement of Compliance

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Advisor of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain, Financial Institutions Law and the CBB Rule Book (Volume 5 and applicable provision of Volume 2) and CBB directives, regulations and associated resolutions, rules and procedures of the Company's memorandum and articles of association in accordance with the requirements of AAOIFI. For matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') issued by International Accounting Standards Board.

(b) Shari'a rules and principles

The Group has appointed a Shari'a Supervisory Advisor in accordance with the terms of its Articles of Association. The Shari'a Supervisory Advisor reviews the Group's compliance with general Shari'a principles and issued fatwas, rulings and guidelines on specific matters. The review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

The Group is committed to avoid recognising any income generated from non-Islamic sources. Any earnings prohibited by Shari'a are set aside for charitable purposes or otherwise dealt with in accordance with the directions of the Shari'a Supervisory Advisor.

(c) Functional and presentation currency

The consolidated financial statements have been presented in Bahraini Dinars ("BD"), being the functional currency of the Group's operations.

(d) Basis of consolidation

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries from the date that control effectively commenced until the date that control effectively ceased. Control is achieved when the Company has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. All intergroup balances, transactions and unrealised profits and losses are eliminated in full on consolidation.

2 Basis of preparation (continued)

(e) Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a specific asset or a group of assets may be impaired. An asset or a group of assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event(s) have an impact on the estimated future cash flows of the asset or the group of the assets that can be reliably estimated.

Fair valuation of investments

The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of the consolidated financial statements. The valuation of such investments is based on the fair value as explained in policy note. Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

Valuation of investment in real estate

The Group obtains valuations performed by external independent property valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The independent property valuers also make reference to market evidence of transaction prices for similar properties.

Classification of investments

In the process of applying the Group's accounting policies, management decides upon acquisition of an investment, whether it should be classified as investments carried at fair value through income statement, held at amortised cost or investments carried at fair value through equity. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Going concern

The management of the Group reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Group ensure that they provide adequate financial support to fund the requirements of the Group to ensure the going concern status of the Group.

2 Basis of preparation (continued)

(e) Critical accounting estimates and judgements (continued)

Legal proceedings

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

3 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances and short-term deposits with original maturities of less than 90 days.

Investment in securities

Investment in securities comprises of both equity-type investments and debt-type investments.

(i) *Classification*

The Group segregates its investment securities into debt-type instruments and equity-type instruments. Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Equity-type investments: Investments in equity type instruments are classified in the following categories 1) at fair value through income statement ('FVTIS') or 2) at fair value through equity ('FVTE'), consistent with its investment strategy.

Equity-type investments classified and measured at FVTIS include investments designated at FVTIS and are managed and evaluated internally for performance on a fair value basis. This category currently includes an investment in private equity.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at FVTIS to be classified as investments at fair value through equity. These include investments in certain unquoted equity securities and private equity.

3 Significant accounting policies (continued)

Investment in securities (continued)

Debt-type Instruments: Investments in debt-type instruments are classified at fair value through consolidated income statement ('FVTIS').

Debt-type investments classified and measured at FVTIS include investments designated at FVTIS. The Debt-type instruments at FVTIS include investments in medium to long-term (quoted) sukuk.

(ii) *Recognition and de-recognition*

Investment securities are recognised at the date, when the Group contracts to purchase or sell the asset or instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) *Measurement*

All investments securities are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in Owner's equity and presented in a separate fair value reserve within equity. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the consolidated income statement. Foreign exchange translation gains and losses arising out of (FVTE) are included in a reserve in the foreign currency translation reserve under Owners' equity.

Investments at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

Murabaha financing

The Group finances these transactions through buying the commodity which represents the object of the Murabaha contract and then resells this commodity to the Murabaha (beneficiary) at a profit. The sale price (cost plus profit margin) is repaid in instalments by the Murabaha over the agreed period. The transactions are secured at times by the object of the Murabaha contract (in case of real estate finance) and other times by a total collateral package securing the facilities given to the Murabaha.

Murabaha financing is stated at cost less allowance for doubtful receivables.

Profit in respect of Group share in Murabaha financing shall be recognised on proportionate basis over the period of credit.

3 Significant accounting policies (continued)

Ijarah Muntahia Bittamleek

Assets acquired for leasing (Ijarah Muntahia Bittamleek) are stated at historical cost less accumulated depreciation and any impairment in value. Depreciation is provided on a straight-line basis over the period of the lease term (except for land, which is deemed to have an indefinite life).

The Group assesses at each financial position date whether there is objective evidence that the assets acquired for leasing are impaired. Impairment losses are measured as the difference between the carrying value of the asset and the estimated recoverable amount as per contractual terms. Impairment losses, if any, are recognised in the consolidated statement of income.

Properties-under-development

Properties-under-development represents properties held for sale in the ordinary course of business or in the process of construction and development for future sale. Properties-under-development are valued at cost less impairment if any and include expenditure incurred in the normal course of developing and constructing the property, such as materials, labour and directly attributable overheads.

Properties-under-development are derecognised when they have either been disposed-off or when the property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of a properties-under-development are recognised in the consolidated statement of income in the year of derecognition.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. The Group's investments in real estate are classified as held-for-use in accordance with FAS 26 - "Investment In Real Estate". Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period's unrealised gains shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed-off the cumulative gains previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

Receivables and prepayments

Receivables and prepayments are carried at their anticipated realisable values. An allowance is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

3 Significant accounting policies (continued)

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Depreciation is calculated on the straight-line method to write-off the cost of property and equipment to their estimated residual values over their expected economic useful lives as follows:

| | |
|--------------------------------|-----------|
| Leasehold improvements | 5 years |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |
| Computer hardware and software | 2-3 years |
| Motor vehicles | 3 years |

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining net profit.

Repairs and renewals are charged to the consolidated statement of income when the expenditure is incurred.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written-down to their recoverable amounts.

Islamic financing

Islamic financing liabilities comprise Murabaha and Wakalah financing and are stated at amortised cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and 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 obligation.

Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3 Significant accounting policies (continued)

Employee benefits (continued)

Post-employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of income in the year to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

Impairment of assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of 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 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 asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Derecognition of assets and liabilities

Assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Liabilities

A liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3 Significant accounting policies (continued)

Offsetting

Assets and liabilities are only offsetted and the net amount reported in the consolidated statement of financial position when there is a legal or religious enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Revenue recognition

a) Income from Ijarah Muntahia Bittamleek

Revenue from assets acquired for Ijarah Muntahia Bittamleek (leasing) contracts are recognised proportionately over the terms of the lease.

b) Income from Mudaraba contracts

Income from Mudaraba contracts is recognised to the extent profits are declared by the Mudarib.

c) Profit on Murabaha and other financings

Profit on Murabaha transactions is recognised by proportionately allocating the attributable profits over the period of the transaction where each financial period carries its portion of profits irrespective of whether or not cash is received.

d) Fees and commissions

Fees and commissions (including financing services) are recognised when earned.

d) Other income

Other income is accounted for on an accrual basis.

Dividends

Dividends to owners are recognised as liabilities in the year in which they are declared.

Foreign exchange transactions

Foreign currency transactions are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the consolidated statement of financial position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognised in the consolidated income statement. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions.

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4 Cash and bank balances

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|---|----------------------------|----------------------------|
| Current account balances with banks* | 2,706,419 | 2,138,825 |
| Mudaraba investments with maturity period of less than three months | 2,051,299 | 5,291,112 |
| Cash on hand | <u>500</u> | <u>500</u> |
| Cash and cash equivalents | 4,758,218 | 7,430,437 |
| Mudaraba investments with maturity period of more than three months | <u>3,030,314</u> | <u>-</u> |
| | <u>7,788,532</u> | <u>7,430,437</u> |

* The current account balances with banks are non-profit bearing.

** Mudaraba investments placed with financial institutions earn market rates of profit receivable on maturity.

5 Investment securities

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|--|----------------------------|----------------------------|
| Opening balance | 14,635,962 | 12,228,591 |
| Additions | 2,426,183 | 6,674,354 |
| Disposals | (1,215,769) | (1,767,112) |
| Foreign exchange gains/(losses) on translation of investment securities through profit or loss | 40,176 | (328,220) |
| Foreign exchange gains/(losses) on translation of investment securities through equity | 689,500 | (1,127,635) |
| Net unrealised fair value loss for the year through equity | (98,001) | - |
| Net unrealised fair value losses for the year through profit or loss | <u>(370,659)</u> | <u>(1,044,016)</u> |
| | <u>16,107,392</u> | <u>14,635,962</u> |
| | 31 December <u>2017</u> | 31 December <u>2016</u> |
| Investment in equity-type instruments - Unquoted <i>Private equity</i> | 11,708,236 | 10,154,891 |
| Investment in debt-type instruments- Quoted | <u>4,399,156</u> | <u>4,481,071</u> |
| | <u>16,107,392</u> | <u>14,635,962</u> |

5 Investment securities (continued)

Investment - securities-wise analysis:

| | | 31 December 2017 | 31 December 2016 |
|---|-----|---------------------|---------------------|
| Equity type instruments carried at fair value through consolidated statement of income | | | |
| Manazel Qurtoba 2 fund | (a) | 708,713 | 1,008,713 |
| Jenina Real Estate Development Co. Ltd | (b) | 1,508,053 | 1,508,053 |
| Global Greenridge Fareham Limited (NATS) | (c) | 516,499 | 465,067 |
| SICO Kingdom Equity Fund | (d) | - | 212,063 |
| Difaaf Development Limited | (e) | - | 1,003,706 |
| Equity type instruments carried at fair value through equity | | | |
| APL PH1 Limited | (f) | 1,834,757 | 1,727,392 |
| APL 2B Limited | (g) | 3,018,813 | 2,834,695 |
| Global Greenridge Bracknell Limited (3M) | (h) | 1,552,473 | 1,395,202 |
| Global Greenridge Finco Limited (Manchester) (Stockport & Bury) | (i) | 1,550,048 | - |
| Global Greenridge 201 FINCO Limited (B&Q) | (j) | 1,018,880 | - |
| | | 11,708,236 | 10,154,891 |
| Debt-type instruments carried at fair value through consolidated statement of income | | | |
| CBB sukuk | (k) | 4,399,156 | 4,481,071 |
| | | <u>16,107,392</u> | <u>14,635,962</u> |

- (a) During the year 2013, the Group has invested BD1,008,713 in acquiring shares in Manazel Qurtoba 2 fund, floated by MEFIC Capital in Kingdom of Saudi Arabia. The main objective of this fund is to develop a property in Northern Riyadh, Kingdom of Saudi Arabia. The Group has fair valued the investment during the year and recorded an unrealised fair value loss of BD300,000 in the consolidated statement of income.
- (b) During the year 2014, the Group has invested BD1,508,053 in Sky palaces project, Business Bay Dubai through an SPV "Jenina Real Estate Development Co. Ltd". The Group has fair valued the investment during the year and concluded that the fair value is not significantly different from the carrying value.
- (c) During the year 2015, the Group has invested GBP1,000,000 in GIH-NATS in United Kingdom. The main objective of fund is capital appreciation and rental yield. The Group has fair valued the investment during the year and recorded an unrealised fair value gain of BD7,063 in the consolidated statement of income.
- (d) During the year 2015, the Group has invested BD250,000 in SICO for capital appreciation through investing in equity securities listed in the Saudi Exchange market and the GCC. During the year 2017, the Group has redeemed the investment in SICO.
- (e) During the year 2015, the Group has invested BD2,003,706 in Difaaf Development Limited project, Bahrain through Venture Capital Bank. The objective of the Company is to develop a property in Reef Islands, Kingdom of Bahrain. The Group has sold their shares through Venture Capital Bank during the year 2017 which has resulted in a realised gain of BD1,000,000 in the statement of income.
- (f) During the year 2015, the Group has invested GBP3,714,286 in acquiring the shares in APL PH1 Limited. The objective of the Company is to develop a property in the United Kingdom. The Group has fair valued the investment during the year and recorded a unrealised fair value loss of BD57,500 in the consolidated statement of changes in Owners' equity.

5 Investment securities (continued)

- (g) During the year 2016, the Group has invested GBP6,095,237 in acquiring the shares in APL 2B Limited. The objective of the Company is to develop a property in United Kingdom. The Group has fair valued the investment during the year and recorded a unrealised fair value loss of BD86,422 in the consolidated statement of changes in Owners' equity.
- (h) During the year 2016, the Group has invested GBP3,000,000 in Jersey Fin Co. ("SPV") - 3M Bracknell, United Kingdom. The main objective of fund is capital appreciation and rental yield. The Group has fair valued the investment during the year and recorded a unrealised fair value gain of BD24,174 in the consolidated statement of changes in Owners' equity.
- (i) During the year 2017, the Group has invested GBP3,000,000 in acquiring shares in Global Greenridge Finco Limited (Manchester) (Stockport & Bury), United Kingdom. The main objective of fund is capital appreciation and rental yield. The Group has fair valued the investment during the year and recorded a unrealised fair value gain of BD21,747 in the consolidated statement of changes in Owners' equity.
- (j) During the year 2017, the Group has invested GBP2,000,000 in acquiring shares in Global Greenridge 201 FINCO Limited (B&Q), United Kingdom. The main objective of fund is capital appreciation and rental yield. The Group has fair valued the investment during the year and concluded that the fair value is not significantly different from the carrying value.
- (k) During 2015, the Group has invested BD1,500,000 in acquiring units Government Islamic Leasing Sukuk-Issue 22 (GILS22.SUK) due in 2025. Further, the Group also have investment in "CBB international Sukuk" floated by the Central Bank of Bahrain amounted to BD2,831,656 (2015: BD2,913,571). These units are listed. The Group has fair valued the Sukuks at 31 December 2017 and recorded net loss of BD77,722 (2016: BD48,779) in the consolidated statement of income.

Unquoted equity securities at fair value through consolidated statement of income comprise investments in closed companies, companies managed by external investment managers or represent investments in projects. The management calculates fair values of these investments using various sources of information including investment managers' reports and audited financial statements, wherever available.

Investment securities are denominated in the following currencies:

| Currency | 31 December <u>2017</u> | 31 December <u>2016</u> |
|----------------------|----------------------------|----------------------------|
| Great Britain Pound | 9,491,470 | 6,422,356 |
| United States Dollar | 2,831,656 | 4,129,340 |
| Saudi Riyal | 708,713 | 1,008,713 |
| Arab Emirates Dirham | 1,508,053 | 1,508,053 |
| Bahraini Dinars | <u>1,567,500</u> | <u>1,567,500</u> |
| | <u>16,107,392</u> | <u>14,635,962</u> |

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6 Ijarah Muntahia Bittamleek

| Cost | <u>Lands</u> | <u>Buildings</u> | <u>Total</u> |
|---|------------------|--------------------|--------------------|
| At 31 December 2015 | 618,210 | 7,180,361 | 7,798,571 |
| Additions* | - | 6,930 | 6,930 |
| Payment received/disposals | <u>(210,643)</u> | <u>(510,487)</u> | <u>(721,130)</u> |
| At December 2016 | 407,567 | 6,676,804 | 7,084,371 |
| Additions* | - | 258,443 | 258,443 |
| Transferred to receivables and prepayments | <u>(219,200)</u> | - | <u>(219,200)</u> |
| Payment received/disposals | <u>(21,610)</u> | <u>(467,994)</u> | <u>(489,604)</u> |
| At December 2017 | <u>166,757</u> | <u>6,467,253</u> | <u>6,634,010</u> |
| Depreciation | | | |
| At 31 December 2015 | - | (5,403,602) | (5,403,602) |
| Charged for the year | - | (343,523) | (343,523) |
| On disposals | - | <u>338,334</u> | <u>338,334</u> |
| At 31 December 2016 | - | (5,408,791) | (5,408,791) |
| Charged for the year | - | (207,831) | (207,831) |
| On disposals | - | <u>162,110</u> | <u>162,110</u> |
| At 31 December 2017 | - | <u>(5,454,512)</u> | <u>(5,454,512)</u> |
| General provision** | | | |
| At 31 December 2015 | - | 119,620 | 119,620 |
| General provision transferred from Murabaha financing | - | <u>108,652</u> | <u>108,652</u> |
| At 31 December 2016 | - | 228,272 | 228,272 |
| Provision transferred to receivables and prepayments | - | <u>(156,123)</u> | <u>(156,123)</u> |
| At 31 December 2017 | - | <u>72,149</u> | <u>72,149</u> |
| Net book value | | | |
| At 31 December 2017 | <u>166,757</u> | <u>940,592</u> | <u>1,107,349</u> |
| At 31 December 2016 | <u>407,567</u> | <u>1,039,741</u> | <u>1,447,308</u> |

* Additions relate to rescheduling of financing deals. During 2017, the Group has entered in to two new financing deals, two financing deal was rescheduled (2016: one financing deal was rescheduled) and four deals were early settled.

Assets acquired for leasing (Ijarah Muntahia Bittamleek) are leased under contracts that conclude with the transfer of the legal title (ownership) in the leased asset to the lessee at the end of the lease period for a token consideration.

** General provision represents the 6.12% of total Ijarah Muntahia Bittamleek portfolio as at 31 December 2017.

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7 Properties-under-development

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|---------------------------|----------------------------|----------------------------|
| Opening balance | 414,480 | 412,180 |
| Additions during the year | <u>30,148</u> | <u>2,300</u> |
| Closing balance | <u><u>444,628</u></u> | <u><u>414,480</u></u> |

Properties-under-development represent "Blue Diamond" in Shakhoora. During the year, the Group capital expenditure amounted to BD30,148 (2016: BD2,300) in developing a three storey building at Shakhoora, Bahrain.

An independent valuation at 31 December 2017 concludes that the fair value of three storey building "Blue Diamond" at Shakhoora amounting to BD502,579 (2016: BD515,690). As per the policy of the Group, the properties-under-development is recorded at cost less impairment, hence the uplift in the fair value has not been accounted for.

8 Investment in real estate

| | Investment properties for capital appreciation | Investment properties for periodical consideration | <u>Total</u> |
|-------------------------|---|---|-------------------------|
| Cost/Revaluation | | | |
| As at 31 December 2015 | - | 2,622,736 | 2,622,736 |
| Additions | 100,428 | 340 | 100,768 |
| Disposals | <u>(100,428)</u> | <u>-</u> | <u>(100,428)</u> |
| As at 31 December 2016 | - | 2,623,076 | 2,623,076 |
| Disposals | <u>-</u> | <u>(464,204)</u> | <u>(464,204)</u> |
| As at 31 December 2017 | <u>-</u> | <u><u>2,158,872</u></u> | <u><u>2,158,872</u></u> |
| Depreciation | | | |
| As at 31 December 2015 | - | 25,164 | 25,164 |
| Charge for the year | <u>-</u> | <u>4,444</u> | <u>4,444</u> |
| As at 31 December 2016 | - | 29,608 | 29,608 |
| Charge for the year | <u>-</u> | <u>855</u> | <u>855</u> |
| On disposals | <u>-</u> | <u>(4,253)</u> | <u>(4,253)</u> |
| As at 31 December 2017 | <u>-</u> | <u><u>26,210</u></u> | <u><u>26,210</u></u> |
| Net book value | | | |
| At 31 December 2017 | <u><u>-</u></u> | <u><u>2,132,662</u></u> | <u><u>2,132,662</u></u> |
| At 31 December 2016 | <u><u>-</u></u> | <u><u>2,593,468</u></u> | <u><u>2,593,468</u></u> |

8 Investment in real estate (continued)

Included in investment properties for periodical consideration is the net book value of furniture and fixtures of BD651 (2016: BD1,601) which is depreciated over their useful lives.

During the year, the net earned including accrued periodical consideration on investment in real estate amounted to BD74,865 (2016: BD69,394).

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|--------------------------------------|----------------------------|----------------------------|
| Rental income | 109,882 | 139,542 |
| Maintenance and electricity expenses | <u>(35,017)</u> | <u>(70,148)</u> |
| | <u>74,865</u> | <u>69,394</u> |

During the year, the Group has made a profit on sale of investment properties amounted to BD102,453 (2016: BD119,286).

As at 31 December 2017, the Group obtained an open market valuation of its investment in real estate from an independent real estate valuers, who has estimated the total average fair value of the properties at BD2,170,000 resulting in an unrealised average fair value gain amounting to BD37,338 (2016: BD136,032). However, on a conservative basis, the management of the Group has taken a decision not to include the current year's unrealised fair value gain in the consolidated statement of changes in Owners' equity.

9 Receivables and prepayments

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|--|----------------------------|----------------------------|
| Ijarah Muntahia Bittamleek rental receivables | 53,682 | 338,880 |
| Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables | - | (262,041) |
| Other receivables | 21,027 | 67,290 |
| Allowance for other receivables | (9,055) | (9,055) |
| Prepayments | 22,577 | 26,685 |
| Accrued profit on investment securities | 99,117 | 78,554 |
| Accrued profit on Mudaraba investments | <u>25,436</u> | <u>8,141</u> |
| | <u>212,784</u> | <u>248,454</u> |

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10 Property and equipment

| | Leasehold improvements | Furniture and fixtures | Office equipment | Computer hardware and software | Motor vehicles | Total |
|---------------------------------|---------------------------|------------------------------|---------------------|---|-------------------|----------------|
| Cost | | | | | | |
| At 31 December 2015 | 168,013 | 47,190 | 45,921 | 166,473 | 59,380 | 486,977 |
| Additions | - | - | 1,085 | 2,070 | - | 3,155 |
| Disposals | - | - | (189) | (395) | - | (584) |
| At 31 December 2016 | 168,013 | 47,190 | 46,817 | 168,148 | 59,380 | 489,548 |
| Additions | - | - | - | 1,400 | - | 1,400 |
| Disposals | - | - | - | (580) | - | (580) |
| At 31 December 2017 | <u>168,013</u> | <u>47,190</u> | <u>46,817</u> | <u>168,968</u> | <u>59,380</u> | <u>490,368</u> |
| Accumulated depreciation | | | | | | |
| At 31 December 2015 | 157,131 | 47,190 | 43,002 | 163,695 | 39,602 | 450,620 |
| Charge for the year | 3,117 | - | 912 | 2,812 | 17,000 | 23,841 |
| On disposals | - | - | (25) | (132) | - | (157) |
| At 31 December 2016 | 160,248 | 47,190 | 43,889 | 166,375 | 56,602 | 474,304 |
| Charge for the year | 3,117 | - | 974 | 1,535 | 2,778 | 8,404 |
| On disposals | - | - | - | (580) | - | (580) |
| At 31 December 2017 | <u>163,365</u> | <u>47,190</u> | <u>44,863</u> | <u>167,330</u> | <u>59,380</u> | <u>482,128</u> |
| Net book value | | | | | | |
| At 31 December 2017 | <u>4,648</u> | <u>-</u> | <u>1,954</u> | <u>1,638</u> | <u>-</u> | <u>8,240</u> |
| At 31 December 2016 | <u>7,765</u> | <u>-</u> | <u>2,928</u> | <u>1,773</u> | <u>2,778</u> | <u>15,244</u> |

The Group operates from premises leased at a monthly rental of BD2,628 (2016: BD2,628) per month.

11 Murabaha financing

The murabaha financing obtained for the purpose of investment in Global Greenridge 201 FINCO Limited (B&Q) and is repayable as a bullet payment after the maturity period. The murabaha financing will be matured on December 2020 and bears three months LIBOR plus 1.9%.

12 Other liabilities

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------|---------------------|---------------------|
| Ijarah Muntahia Bittamleek payables | 199,547 | 345,814 |
| Accrued and other payables | <u>172,921</u> | <u>130,464</u> |
| | <u>372,468</u> | <u>476,278</u> |

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13 Share capital

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|---|----------------------------|----------------------------|
| Authorised | | |
| 400,000,000 (2016: 400,000,000) ordinary shares of 100 Fils each | <u>40,000,000</u> | <u>40,000,000</u> |
| Issued and fully paid-up | | |
| 240,429,000 (2016: 240,429,000) ordinary shares of 100 Fils each | <u>24,042,900</u> | <u>24,042,900</u> |

Treasury Shares:

The Group had decided in the Annual General Meeting held on 24 April 2014 to purchase back 12,021,450 shares of 100 Fils each, amounting to BD1,202,145, which represents 5% of the share capital. The Group had obtained the approval from the Ministry of Industry and Commerce on 28 May 2014 and from the Central Bank of Bahrain on 2 July 2014.

The Company has only one class of equity shares and the holders of the shares have equal voting rights.

The names and nationalities of the major shareholders or those who hold interest of 5% or more and the number of shares at 31 December 2017 and 2016 are as follows:

| | <u>Nationality</u> | <u>Number of shares</u> | <u>Percentage of shareholding interest</u> |
|--|--------------------|-----------------------------|--|
| Gimbal Holding Co. S.P.C. | Bahraini | 105,450,354 | 43.85% |
| Inovest B.S.C. | Bahraini | 24,042,900 | 10% |
| Ossis B.S.C.(c) | Bahraini | 24,042,900 | 10% |
| H.E. Sheikh Sultan Bin Khalifa Al Nahyan | Emirati | <u>13,223,595</u> | <u>5.5%</u> |
| | | <u>166,759,749</u> | <u>69.35%</u> |

Details of the Directors' interests in the Company's shares as at 31 December 2017 and 31 December 2016 are as follows:

| <u>Name of the directors</u> | <u>2017 Number of shares</u> | <u>2016 Number of shares</u> |
|------------------------------|--------------------------------------|--------------------------------------|
| Saud Kanoo | 2,404,290 | 2,404,290 |
| Faisal Al Matrook | <u>2,800,634</u> | <u>2,404,290</u> |
| | <u>5,204,924</u> | <u>4,808,580</u> |

14 Reserves

(i) Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, Decree No 21 of 2001 an amount equivalent to 10% of the Group's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. During the year, an amount of BD133,903 has been transferred to the statutory reserve (2016: BD120,541).

(ii) Properties fair value reserve

The revaluation reserve represents the net surplus arising on revaluation of investment in real estate (Note 8). This reserve is not available for distribution.

(iii) Foreign currency translation reserve

Foreign currency translation reserve represents currency translation on investment securities. During the year, the exchange gain amounting to BD689,500 (2016: BD1,127,635) has been transferred to the foreign currency translation reserve.

15 Dividends

Declared and paid

A dividend of BD1,142,038 representing 5% of the total issued and fully paid-up share capital (net of treasury shares) of the Company for the year ended 31 December 2016 (2016: BD1,142,038 for the year ended 31 December 2015) was approved by the shareholders in the Annual General Meeting of the shareholders held on 18 May 2017, declared and subsequently paid in 2017.

Proposed by the Board of Directors subject to MOIC & CBB approvals

The Board of Directors of the Company have proposed a cash dividend of BD1,142,038 at 5% of the total issued and fully paid-up share capital (2016: BD1,142,038 at 5% of the total issued and fully paid-up share capital) of the Company for the year ended 31 December 2017. The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these financial statements.

16 Profit from investment securities

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|---------------------------------------|----------------------------|----------------------------|
| Dividend from equity-type instruments | 280,511 | 178,516 |
| Profit from debt-type instruments | <u>255,236</u> | <u>254,994</u> |
| | <u>535,747</u> | <u>433,510</u> |

17 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the owners by the weighted average number of ordinary shares issued during the year.

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|--|----------------------------|----------------------------|
| Net profit attributable to the owners | <u>BD1,339,028</u> | <u>BD1,205,406</u> |
| Weighted average number of ordinary shares | <u>228,407,550</u> | <u>228,407,550</u> |
| Basic and diluted earnings per share | <u>Fils 5.9</u> | <u>Fils 5.3</u> |

The earnings per share have been computed on the basis of net profit for the year divided by the number of shares outstanding for the year net of 12,021,450 treasury shares. There is no difference between the basic and diluted earnings per share. The Company does not have any potentially dilute ordinary shares, hence the dilute earnings per share and basic earnings per share are identical.

18 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders, directors and key management personnel and their close family members, and businesses under their control. The Group's transactions with related parties are on arm's length business and authorised by the management.

A summary of the transaction and amounts due from related parties is as follows:

| Related party relationship | Transaction type | For the year ended Transaction amount | | Amounts due from related parties | |
|-------------------------------|--|--|----------------------------|-------------------------------------|----------------------------|
| | | 31 December <u>2017</u> | 31 December <u>2016</u> | 31 December <u>2017</u> | 31 December <u>2016</u> |
| Directors | Directors Remuneration | <u>35,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Directors | Board member fees and allowances | <u>21,750</u> | <u>25,950</u> | <u>-</u> | <u>-</u> |
| Key management personnel * | Salaries and other short-term benefits | <u>85,760</u> | <u>144,996</u> | <u>-</u> | <u>-</u> |
| Directors | Premises leased | <u>31,539</u> | <u>31,539</u> | <u>-</u> | <u>-</u> |

* Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

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19 Maturity profile

Maturity profile of assets and liabilities is as follows:

| | Carrying amount | Up to 6 months | 6-12 months | At 31 December 2017 | |
|------------------------------|-------------------|------------------|------------------|---------------------|-------------------|
| | | | | 1-5 years | 5 years and above |
| Assets | | | | | |
| Cash and bank balances | 7,788,532 | 4,758,218 | 3,030,314 | - | - |
| Investment securities | 16,107,392 | - | 3,348,153 | 11,191,739 | 1,567,500 |
| Ijarah Muntahia Bittamleek | 1,107,349 | 1,107,349 | - | - | - |
| Properties-under-development | 444,628 | - | 444,628 | - | - |
| Investment in real estate | 2,132,662 | - | - | 2,132,662 | - |
| Receivables and prepayments | 212,784 | 97,581 | 92,626 | 22,576 | - |
| Property and equipment | 8,240 | - | 131 | 8,109 | - |
| Total assets | 27,801,587 | 5,963,148 | 6,915,852 | 13,355,086 | 1,567,500 |
| Liabilities | | | | | |
| Murabaha financing | 507,178 | - | - | 507,178 | - |
| Other liabilities | 372,468 | 252,373 | 23,661 | 96,434 | - |
| Total liabilities | 879,646 | 252,373 | 23,661 | 603,612 | - |

| | Carrying amount | Up to 6 months | 6-12 months | At 31 December 2016 | |
|------------------------------|-------------------|------------------|----------------|---------------------|-------------------|
| | | | | 1-5 years | 5 years and above |
| Assets | | | | | |
| Cash and bank balances | 7,430,437 | 7,430,437 | - | - | - |
| Investment securities | 14,635,962 | - | - | 14,635,962 | - |
| Ijarah Muntahia Bittamleek | 1,447,308 | 12,691 | 38,972 | 606,965 | 788,680 |
| Properties-under-development | 414,480 | - | - | 414,480 | - |
| Investment in real estate | 2,593,468 | - | - | 2,593,468 | - |
| Receivables and prepayments | 248,454 | 107,119 | 83,100 | 58,235 | - |
| Property and equipment | 15,244 | 1,222 | 1,876 | 12,146 | - |
| Total assets | 26,785,353 | 7,551,469 | 123,948 | 18,321,256 | 788,680 |
| Liabilities | | | | | |
| Other liabilities | 476,278 | 3,209 | 79,395 | 393,674 | - |
| Total liabilities | 476,278 | 3,209 | 79,395 | 393,674 | - |

20 Risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. These risks and the processes to mitigate these risks have not significantly changed from the previous year.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Currency rate risk
- Profit rate risk
- Liquidity risk
- Fair value risk
- Operational risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial losses. Cash is placed with national and multinational banks with good credit ratings. The Group's credit risk arises mainly from the Mudaraba investments, Murahaba financing, receivables of future Ijarah rentals and Musharaka financing and other receivables.

Mudaraba investments are placed with highly reputed and credit worthy financial institutions. In case of Ijarah rentals and Musharaka financing, the Group has well defined policies for managing credit risk to ensure that risks are accurately assessed, properly approved and regularly monitored. Formal credit limits are applied at counterparty and single obligor level. Overall exposures are also evaluated to ensure a broad diversification of risk by setting concentration limits by geographical regions and industrial sectors.

i. Credit risk exposure relating to financial position assets are as follows:

| | 2017 Gross credit exposure | 2017 Average credit exposure |
|-------------------------------------|----------------------------------|------------------------------------|
| Cash and bank balances | 7,788,532 | 7,609,485 |
| Investment securities | 16,107,392 | 15,371,677 |
| Ijarah Muntahia Bittamleek | 1,107,349 | 1,277,329 |
| Properties-under-development | 444,628 | 429,554 |
| Investment in real estate | 2,132,662 | 2,363,065 |
| Receivables and prepayments | 212,784 | 230,619 |
| Property and equipment | 8,240 | 11,742 |
| Total balance sheet credit exposure | <u>27,801,587</u> | <u>27,293,471</u> |

Average gross credit has been calculated based on the average of balances outstanding during the year ended 31 December 2017.

20 Risk management (continued)

ii. Geographical distribution of credit exposure

| | 31 December 2017 | | | |
|----------------------------------|-------------------|---------------------|------------------|-------------------|
| | Bahrain | Other GCC countries | Europe | Total |
| Financial position items | | | | |
| Cash and bank balances | 7,788,532 | - | - | 7,788,532 |
| Investment securities | 4,399,156 | 3,235,646 | 8,472,590 | 16,107,392 |
| Ijarah Muntahia Bittamleek | 1,107,349 | - | - | 1,107,349 |
| Property under development | 444,628 | - | - | 444,628 |
| Investment in real estate | 2,132,662 | - | - | 2,132,662 |
| Receivables and prepayments | 170,207 | - | 42,577 | 212,784 |
| Property and equipment | 8,240 | - | - | 8,240 |
| Total balance sheet items | 16,050,774 | 3,235,646 | 8,515,167 | 27,801,587 |

The Group uses the geographical location of the credit exposures as the basis to allocate to the respective geographical region as shown above.

iii. Industrial distribution of credit exposure

| | 31 December 2017 | | | |
|----------------------------------|----------------------------------|-------------------|---------------|-------------------|
| | Banks and financial institutions | Real estate | Others | Total |
| Balance sheet items | | | | |
| Cash and bank balances | 7,788,532 | - | - | 7,788,532 |
| Investment securities | 4,399,156 | 11,708,236 | - | 16,107,392 |
| Ijarah Muntahia Bittamleek | - | 1,107,349 | - | 1,107,349 |
| Property under development | - | 444,628 | - | 444,628 |
| Investment in real estate | - | 2,132,662 | - | 2,132,662 |
| Receivables and prepayments | 81,976 | 96,259 | 34,549 | 212,784 |
| Property and equipment | - | - | 8,240 | 8,240 |
| Total balance sheet items | 12,269,664 | 15,489,134 | 42,789 | 27,801,587 |

iv. Maturity breakdown of credit exposures

| | With in | 1-5 | 5-10 | 10-20 | Total |
|----------------------------------|-------------------|-------------------|----------|----------|-------------------|
| | 1 year | Years | Years | years | |
| Balance sheet items | | | | | |
| Cash and bank balances | 7,788,532 | - | - | - | 7,788,532 |
| Investment securities | 3,348,153 | 12,759,239 | - | - | 16,107,392 |
| Ijarah Muntahia Bittamleek | 1,107,349 | - | - | - | 1,107,349 |
| Properties-under-development | 444,628 | - | - | - | 444,628 |
| Investment in real estate | - | 2,132,662 | - | - | 2,132,662 |
| Receivables and prepayments | 212,784 | - | - | - | 212,784 |
| Property and equipment | 131 | 8,109 | - | - | 8,240 |
| Total balance sheet items | 12,901,577 | 14,900,010 | - | - | 27,801,587 |

20 Risk management (continued)

v. *Related party balances under credit exposure*

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the owners and directors and their close family members, and businesses under their control. The Group's transactions with related parties on arm's length basis and are authorised by the management.

A summary of the Company's significant transactions with related party is as follows:

| <u>Related party relationship</u> | <u>Transaction type</u> | <u>Year ended 31 December 2017</u> |
|-----------------------------------|--|--|
| Directors | Premises leased | 31,539 |
| Directors | Board member fees and allowances | 21,750 |
| Key management personnel | Salaries and other short-term benefits | 85,760 |

vi. *Past due and impaired financings and related provisions for impairment*

| | <u>Gross exposure</u> | <u>Impairment provisions</u> | <u>Net exposure</u> |
|-----------------------------|-----------------------|------------------------------|---------------------|
| <u>Analysis by industry</u> | | | |
| <u>Specific provision</u> | | | |
| Individual | 9,055 | 9,055 | - |
| | | | |
| | | | |
| <u>Ageing analysis</u> | | | |
| <u>Specific provision</u> | | | |
| Over 3 months up to 1 year | 9,055 | 9,055 | - |
| | | | |
| | | | |
| <u>Analysis by industry</u> | | | |
| <u>General provision</u> | | | |
| Real estate | | | <u>72,149</u> |

20 Risk management (continued)

vi. Past due and impaired financings and related provisions for impairment (continued)

| | | | 2017 |
|--|-----------------|----------------|----------------|
| | <u>Specific</u> | <u>General</u> | <u>Total</u> |
| Movement in impairment provisions | | | |
| Opening balance | 271,096 | 228,272 | 499,368 |
| Transferred to receivable | 156,123 | (156,123) | - |
| Written off during the year | (418,164) | - | (418,164) |
| Closing balance | <u>9,055</u> | <u>72,149</u> | <u>81,204</u> |
| | | | |
| | <u>Specific</u> | <u>General</u> | <u>2016</u> |
| | <u>Total</u> | <u>Total</u> | <u>Total</u> |
| Movement in impairment provisions | | | |
| Opening balance | 371,769 | 353,272 | 725,041 |
| Charge for the year | 5,428 | - | 5,428 |
| Allowances no longer required for Ijarah Muntahia Bittamleek rental receivables | (106,101) | (125,000) | (231,101) |
| Closing balance | <u>271,096</u> | <u>228,272</u> | <u>499,368</u> |

vii. Past due and impaired financings by geographical areas

| | <u>Gross exposure</u> | <u>Impairment provisions</u> | <u>Net exposure</u> |
|----------------------------------|-----------------------|------------------------------|-----------------------------|
| Analysis by geography | | | |
| <u>Specific provision</u> | | | |
| Bahrain | 9,055 | 9,055 | - |
| Analysis by geography | | | |
| <u>General provision</u> | | | <u>Impairment provision</u> |
| Bahrain | | | 72,149 |

Details of credit facilities outstanding that they have been restructured during the year:

| <u>Analysis industry</u> | <u>Original value</u> | <u>Restructured finance</u> |
|--------------------------|-----------------------|-----------------------------|
| Individual | 193,000 | 88,836 |

Material legal contingencies

There was no material pending legal contingencies.

20 Risk management (continued)

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's foreign currency transactions are predominantly in GCC currencies, United States Dollars (USD) and British Pounds (GBP) of which Group's significant transactions are in United States Dollars (USD) and other GCC currencies. The Bahraini Dinars is effectively pegged to the United States Dollar and other GCC currencies and therefore management considers the currency rate risk as minimal. The Group limits their currency rate risk by entering in the forward contract mainly to mitigate the currency exposure in GBP investments. The Group limits their currency rate risk by proactively monitoring the key factors that affect the foreign currency fluctuations.

Foreign exchange sensitivity analysis is as follows:

| <u>Currency</u> | <u>Change</u> | <u>Impact on profit</u> | <u>Change</u> | <u>Impact on profit</u> |
|-----------------|---------------|-------------------------|---------------|-------------------------|
| Sterling Pound | +/-5% | +/-528,626 | +/-3% | +/-317,176 |

Profit rate risk arises due to different timing of re-pricing of the Group's assets and liabilities. The Group's profit rate sensitive assets are mainly Mudaraba assets and liabilities are Murabaha financing. The Mudaraba investment bear fixed rate of profit and Murabaha financing bears three months LIBOR plus 1.9%. The hypothetical effect of 100 basis points profit rate increase or decrease on profits would be approximately BD5,072.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. (Refer Note 19 for maturity profile).

The Group's management rigorously monitors liquidity requirements on a regular basis to help ensure that sufficient funds are available, including unutilised credit facilities with banks, to meet its liabilities as they fall due.

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial losses. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

21 Fair value hierarchy

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of quoted securities/Sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/Sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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21 Fair value hierarchy (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December 2017 and 31 December 2016:

| <u>Investments designated at fair value through statement of income</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|------------------|----------------|-------------------|-------------------|
| <i>For the year ended 31 December 2017</i> | | | | |
| <i>Quoted Securities</i> | 2,831,656 | - | 1,567,500 | 4,399,156 |
| <i>Sukuk</i> | - | - | - | - |
| <i>Unquoted Securities</i> | - | - | 11,708,236 | 11,708,236 |
| <i>Private equities</i> | <u>2,831,656</u> | <u>-</u> | <u>13,275,736</u> | <u>16,107,392</u> |
| <i>For the year ended 31 December 2016</i> | | | | |
| <i>Quoted Securities</i> | 2,913,571 | - | 1,567,500 | 4,481,071 |
| <i>Sukuk</i> | - | - | - | - |
| <i>Unquoted Securities</i> | - | 212,063 | 9,942,828 | 10,154,891 |
| <i>Private equities</i> | <u>2,913,571</u> | <u>212,063</u> | <u>11,510,328</u> | <u>14,635,962</u> |

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2017 and 2016, there were no transfers between level 1 and level 2, and no transfers into or out of level 3.

22 Commitments

a) Capital commitments

Commitments on capital work-in-progress at the end of the year were as follows:

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|---|----------------------------|----------------------------|
| Capital expenditure on property under development | <u>30,148</u> | <u>14,200</u> |

b) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

| | 31 December <u>2017</u> | 31 December <u>2016</u> |
|--|----------------------------|----------------------------|
| Not later than 1 year | 31,536 | 31,536 |
| Later than 1 year but not later than 5 years | <u>10,512</u> | <u>10,512</u> |
| | <u>42,048</u> | <u>42,048</u> |

23 Subsequent events

There were no events subsequent to 31 December 2017 and occurring before the date of signing of the consolidated financial statements that would have a significant impact on these consolidated financial statements.