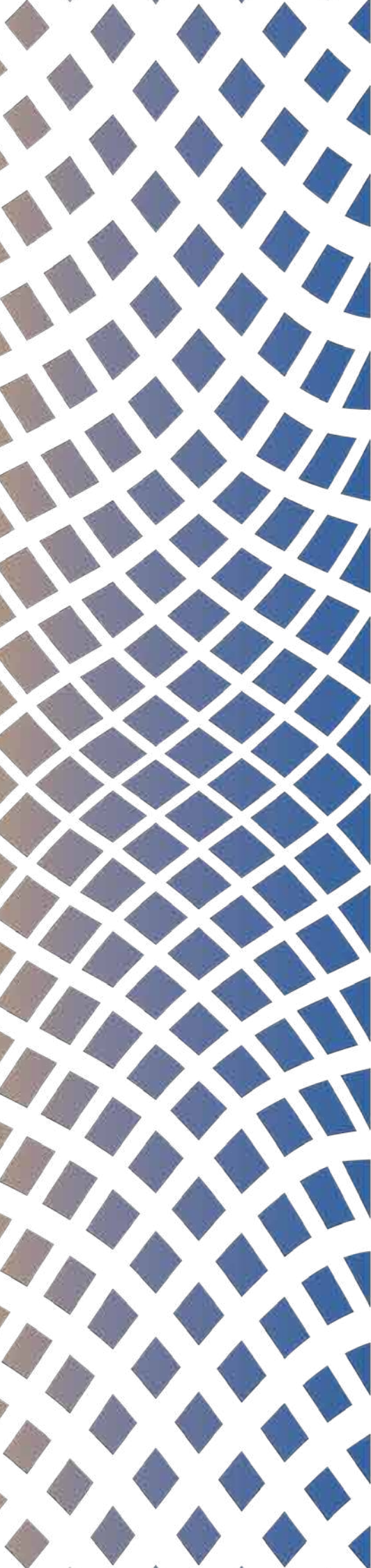




ANNUAL
REPORT

2017

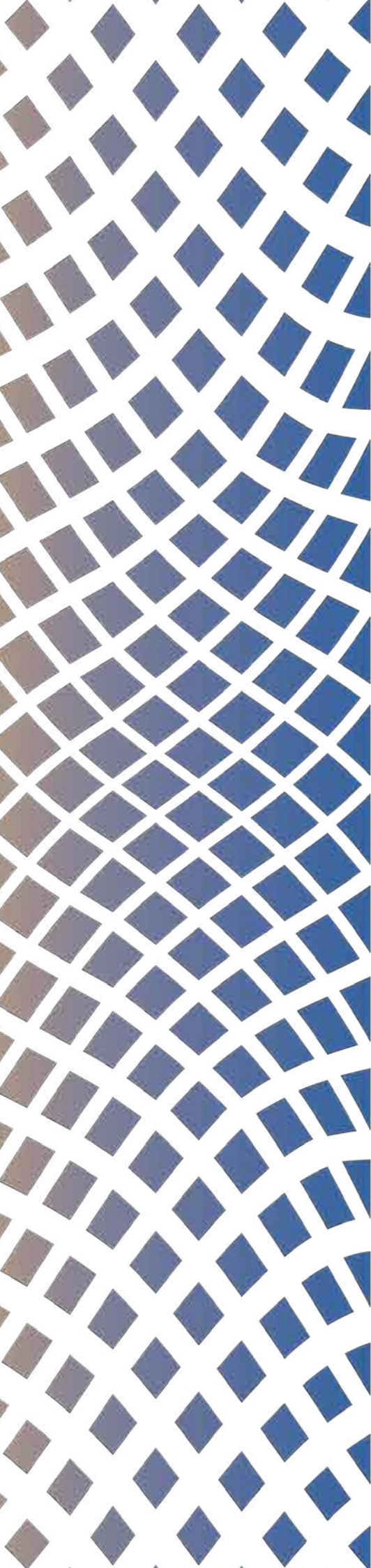




Al Rssais Tower
P.OBox 15493
Bldg 283, Blk 317, Road 1704
Office No. 171, 172
Diplomatic Area
Kingdom of Bahrain

Tel : +973 17532201
Fax: +973 17532261

www.firstre.net





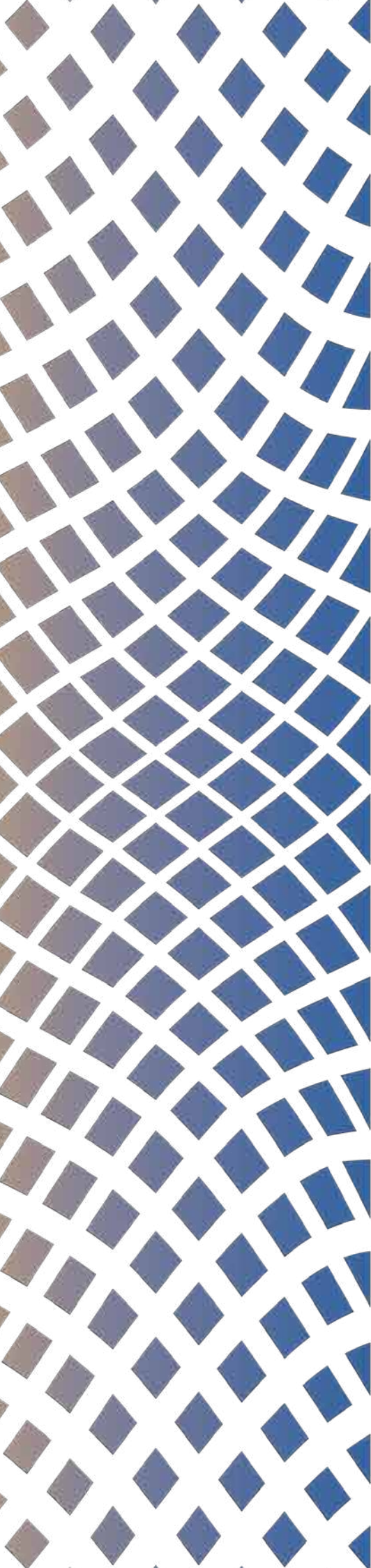
His Highness
Shaikh Salman bin Hamad Al-Khalifa
Crown Prince - Commander in Chief of Bahrain
Defence Force



His Majesty
HM King Hamad Bin Isa Al Khalifa
King of Bahrain



His Highness
Shaikh Khalifa bin Salman Al Khalifa
Prime Minister of Bahrain



Board of Directors



Mohammed Ibrahim Al Farhan
Chairman



Abdulghaffar Abdulrahim Al
Kooheji
Vice Chairman



Hamad Abdulaziz Al Shaya
Board Member



Faisal Fahad Alshaya
Board Member



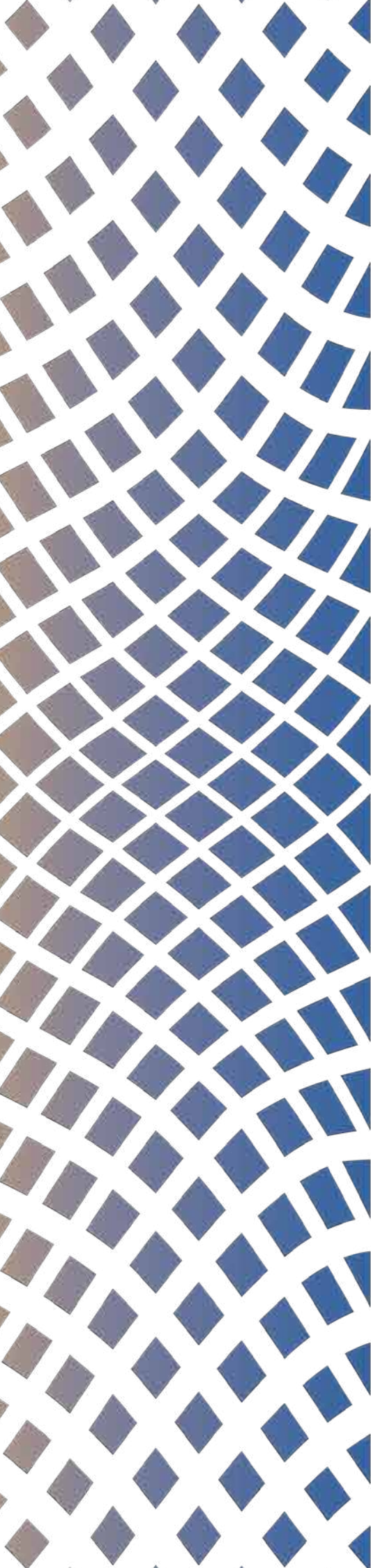
Mohammed Abdul-Hameed
Al-Marzook
Board Member



Gerard Snabian
Board Member

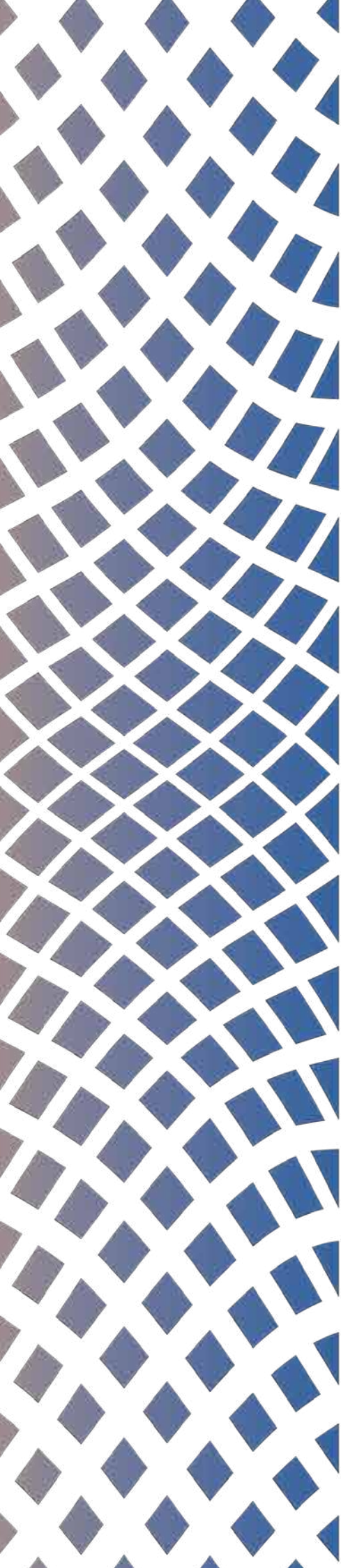


Mohammed Abdullah Alhubail
Board Member



Contents

Chairman's Message	03
Introduction	05
Company's Projects	07
Real Estate & Economic Market Overview	13
Performance Indicators for Bahraini Real State Market	14
Consolidated Financial Statements	17
Report of the Board of Directors	18
Independent auditors' report to the shareholders	19
Consolidated statement of financial position	21
Consolidated statement of profit or loss and other comprehensive income	22
Statement of changes in equity	23
Consolidated statement of cash flows	24
Notes to the consolidated financial statements	25



Chairman's Message

First Real Estate Development Company

With pleasure and on behalf of the board members of First Real Estate Company, I would like to thank you for your interest in our annual report for the year of 2017 and I invite you to go through the latest achievements and results achieved.

First managed to maintain the highest quality of its assets and achieved increased revenues by proceeding with its strategy to develop its base of non-income generating assets to income generating assets with high returns. This strategy resulted in differentiating First from its competitors and keeping it at the forefront of real estate companies in Bahrain.

In 2017, we continued the development of our largest projects, The Catamaran, in collaboration with Al Dhow Real Estate, one of our strategic partners. As of the end of 2017, we succeeded in completing the structure of the first tower of the project and we are currently focused on the process of working on the interior fit out looking to deliver the project during the last quarter of 2018. Work on the second tower is progressing well done have exceeded 50% of the structure, and Skeleton work.

The Catamaran will be a landmark compared to other residential projects in Bahrain due to its prominent location and unique architectural design. The project spans across a land of 6,530 square meters and offers 583 residential apartments in addition to gymnasiums and swimming pools (indoor and outdoor), a cinema, and multi-purpose sports courts making it a destination for the highest of standards for both accommodation and leisure.

The company is always looking for investment opportunities in Bahrain and other parts of the world with the aim to diversify its sources of income and elevating the standard of the company's assets which in turn will result in increasing the shareholders equity.

On the financial results side the company's assets reached 89.1 million BHD by the end of 2017 increasing by 9.7% from 81.2 million BHD in 2016. The shareholders' equity grew by 1.4% reaching 51.1 million BHD by the end of 2017 an increase from 50.4 million BHD from 2016.

The company's revenues noted a minor decrease by 100 thousand BHD from 2016 to 4.9 million BHD by the end of 2017. Compared to 5.1 million in 2016. The expenses on the other hand decreased to 2.3 million BHD in 2017 from 2.5 million BHD in 2016, a decrease by 200 thousand BHD.

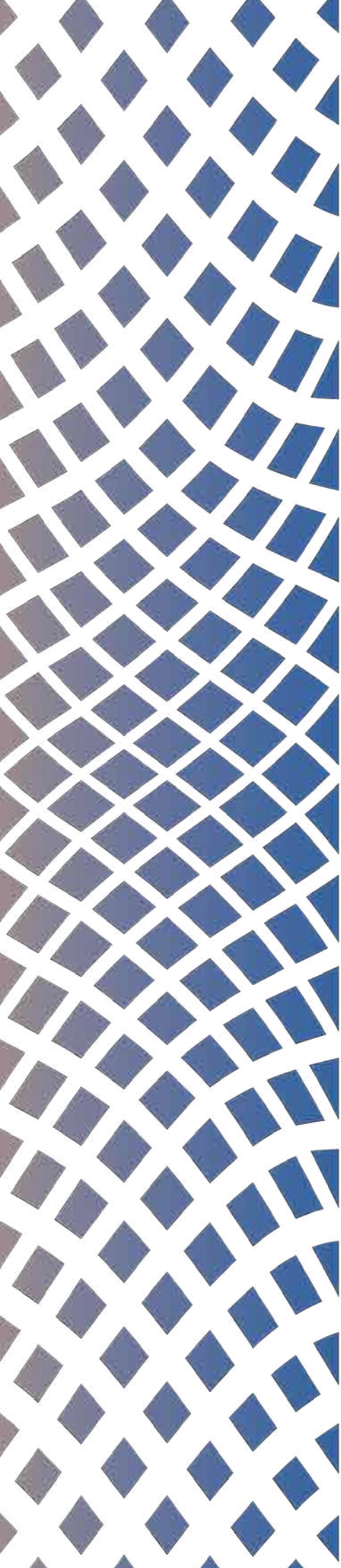
Shareholders of the parent company, achieved a profit of 2.3 million BHD equivalent to a 9.5% increase from the result achieved in 2016 which amounted to 2.1 million BHD.

Last but not least, on behalf of the members of the board of directors and myself, I would like to extend my thanks and appreciation to the members of First family, the investors and First staff for their continuous support and belief in our vision and mission and their commitment which all resulted in another successful year for all of us.

Peace be upon you

Mohammad Ibrahim Al Farhan

Chairman



Introduction

Introduction

First Real Estate Company was founded and restructured to achieve sustainable growth strategies and maintaining a prominent reputation within the local real estate market while offering rewarding opportunities for its investors, management and staff. The Company's professional and experienced management team has worked ardently throughout the previous years at procuring a broader field of investments by expanding its focus beyond the residential market to the commercial and warehouse markets.

First Real Estate Company continues to strive to enhance its asset value and meet shareholder expectations through the implementation of planned growth and qualitative diversification initiatives on both the local and regional levels.

Strategy

First Real Estate Company's strategy is based on the following business model:

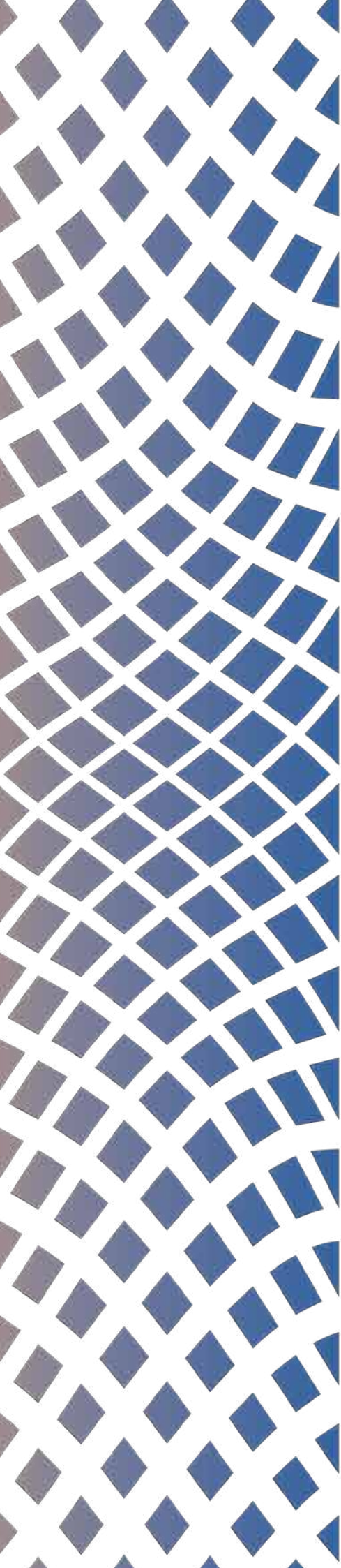
- Uncover hidden opportunities in the real estate sector
- Acquire new properties with appreciation potential
- Land trading and development
- Increase and enhance profitability of the existing properties
- Have well defined exit strategies for each property

Vision

Through the life cycle of assembling, grooming and monitoring a solid portfolio of real estate assets, the Company seeks to create value at low levels of risk for its shareholders, create opportunities for its customers and experience for its managers and staff.

Mission Statement

To optimize returns by providing high-quality, stable and secure real estate investment opportunities at low levels of risk and to maximize the value of real estate investments and projects that will be undertaken for the benefit of the shareholders, customers and employees by combining the appropriate mix of people along with creative planning and strategy implementation.



Company Projects

Company's Projects

The Company aims to achieve added value against minimum risk profile so as to provide maximum protection for the investors' and shareholders' interests and to maintain their value despite the fluctuations in the local market.

First Real Estate Co. B.S.C. (Closed) owns real estate that can be classified into two main categories: (i) income-generating real estate, and (ii) trading and development real estate. The following is a brief description of each category.

1. Income Generating Properties

Kingdom of Bahrain

JUFFAIR COMPOUND 1

The compound is located in Al Juffair area, one of Manama's prime locations. This luxurious fully furnished compound comprises of 32, and each with over 300 square meters, with a private swimming pool. The compound is fully leased.



JUFFAIR COMPOUND 2

The compound is adjacent to Juffair Compound (1). The compound comprises of 22 fully furnished villas with a total area of approximately 300 square meters. Each villa features an independent external maid's quarter and a private swimming pool. The compound is fully leased.

THE 100 RESIDENCE TOWER, AL FATEH AREA

The 100 Residence Tower was completed in the first quarter of 2010. It is located in Al Fateh area in Juffair, covering a land area of 2,160 square meters and a total up area of 22,670 square meters. The project consists of 27 floors containing 104 luxurious fully furnished apartments. The facilities and services provided include indoor and outdoor swimming pools, gymnasium, housekeeping, and 24 hours security. The project is leased.



(G28) WAREHOUSE AT THE BAHRAIN INVESTMENT WHARF, AL HIDD AREA

The Company acquired a strategically situated land for investment purposes known as G28, covering a total area of approximately 45,247 square meters at the Bahrain Investment Wharf. The Company signed a 15 year build-to-suit warehouse contract agreement with an investor for developing the land into a warehouse with a total built-up area of 31,000 square meters. The warehouse was completed and handed over to the investor in August 2009.

(G26) BAHRAIN INVESTMENT WHARF WAREHOUSES, AL HIDD AREA

The company owns this strategically located land with an area of 58,222 square meters within Bahrain Investment Wharf project. In alignment with the company's strategy to maximise income generating assets, four warehouses were developed on this land boasting a total built up area of 29,952 square meters. Each warehouse, consists of units with different sizes, to accommodate the markets needs. The company completed the development of the last warehouse in 2016, and the project is fully leased.

AL YAL RESIDENCE TOWER - AL SEEF DISTRICT

In equal partnership with a specialized real estate company, the Company had developed one plot of Al Seef Land, covering an area of 1,553 square meters, into a luxurious residential tower of 25 floors and a total built up area of 19,178 sq. meters. The project comprises 130 fully furnished residential units plus a restaurant, gym, children play area and a swimming pool. The tower overlooks the sea and is situated, in one of the most strategic locations in Al Seef area, just a few meters from City Center and Al Seef Mall. The project was completed in August 2014, and is fully leased.



United Arab of Emirates

JABAL ALI LABOR ACCOMMODATION – DUBAI

As part of the Company's strategy to expand its projects at the regional level, the Company acquired in August 2008, through its 25% share in Al Sanbouk Real Estate L.L.C., two plots of land with a total area of 41,980 square feet in Jebal Ali, Dubai. Development has been completed on a labour accommodation project that includes 380 units, it was completed in November 2016 and its fully leased.

LABOUR ACCOMMODATION AT MUHAISNAH AREA – DUBAI

In alliance with Injazzat Real Estate Development Company, the Company acquired a labour accommodation building in Muhaisnah area with a total area of 5,287 square meters. The building comprises of two floors containing a total of 401 rooms which were refurbished in 2010. The project is fully leased.

II. Land Trading and Development

Kingdom of Bahrain

CATAMARAN TOWERS PROJECT

First Real Estate along with an associate company, started the development on the company's largest project. The project comprises of two residential towers along with a commercial space that lies between the towers. The project is to be built on a plot that measures 6,530 square meters, and the company intends to sell units in one tower, while furnishing the other and leasing it out on long term leases.



AL SEEF LAND - AL SEEF DISTRICT

The Company, in equal partnership with Dhow Real Estate Company, acquired ownership in a strategically located land in Al Seef District north of Bahrain City Centre. In 2008, the land was subdivided into 21 plots covering an area of 510,881 square feet. The Company decided to take advantage of the land price appreciation in Al Seef area by selling thirteen of its plots, covering a total area of 336,203 square feet, generating a substantial income to the Company. Meanwhile, the Company decided to keep the remaining eight plots for development or trading purposes.

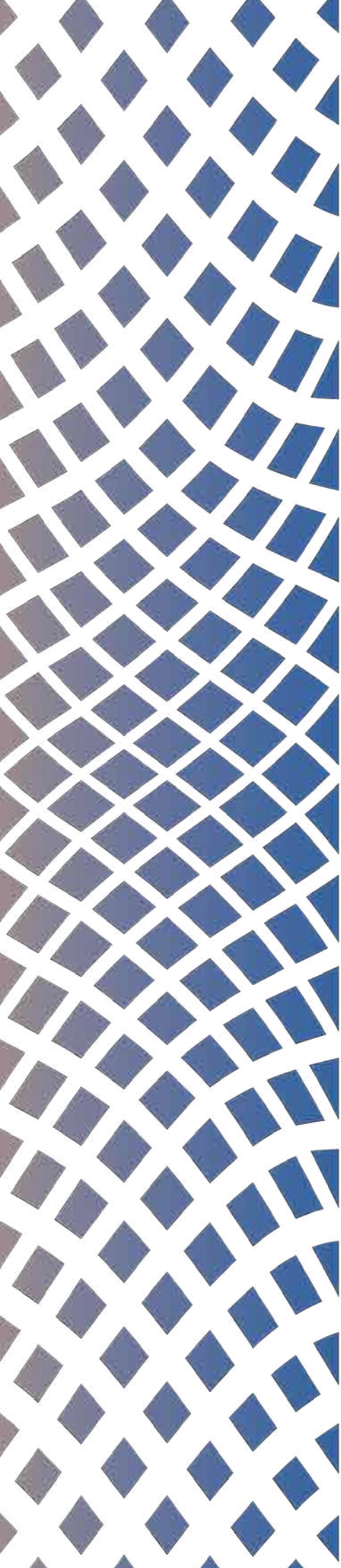


HIDD INDUSTRIAL LAND - HIDD AREA

The Company acquired a plot of land in Al Hidd Industrial area covering a total area of 73,000 square feet. The Company intends to sell this land.

MARSA AL SEEF - AL SEEF AREA

The Company acquired equity shares in Marsa Al Seef Investment Company Limited which was established in 2008 with a paid up capital of US\$ 531,000,000. The company is owned by Global Banking Corporation B.S.C., Bahrain. The reclamation work of phase one of the project is complete. Marsa Al seef Investment Company are exploring suitable exit scenarios.

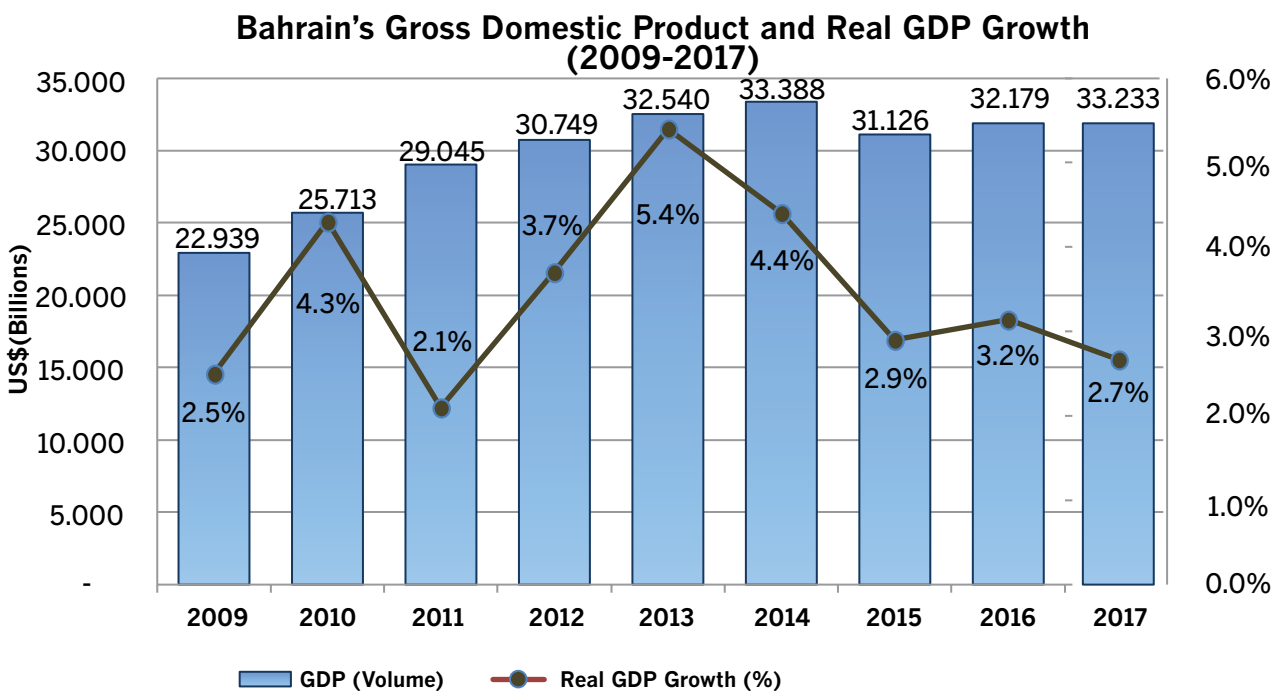


Real Estate & Economic Market Overview

Performance of Bahrain Economy

The Economist Intelligence Unit (EIU) has modified their estimates on Bahrain's economic growth over a year as the country's economy increased to 2.7% in 2017 from 1.8% according to the forecasts of the end of year 2016. Yet, such estimates and other future growth rates are still inferior to their respective record levels, namely to the 2016 growth rate that scored 3.2%. These poor scores illustrate the general economic reality of the neighbouring countries in the region. According to EIU forecasts, Bahrain's economy will register a slightly lower rate in 2018 down to 2.3% only to increase progressively and continuously to nearly 2.6% in 2019, 2.8% in 2020, and 3% in 2021.

Graph (1)



Source : Economist Intelligence Unit (EIU)

EIU bulletin also predicts a decrease in the budget deficit of the federal government from 13.6% of GDP in 2016 to 10.7% in 2017. The budget deficit will further drop to 7.1% in 2018 and 2019 but will increase again to 7.6% in 2020 then fall back to 5.2% in 2021 according to the same forecasts. Furthermore, the debt-to-GDP ratio will continue to increase from nearly 71.9% in 2016 to around 87.6% in 2017, 89.9% in 2019, only to reach its record high in 2020 at 93.8%.

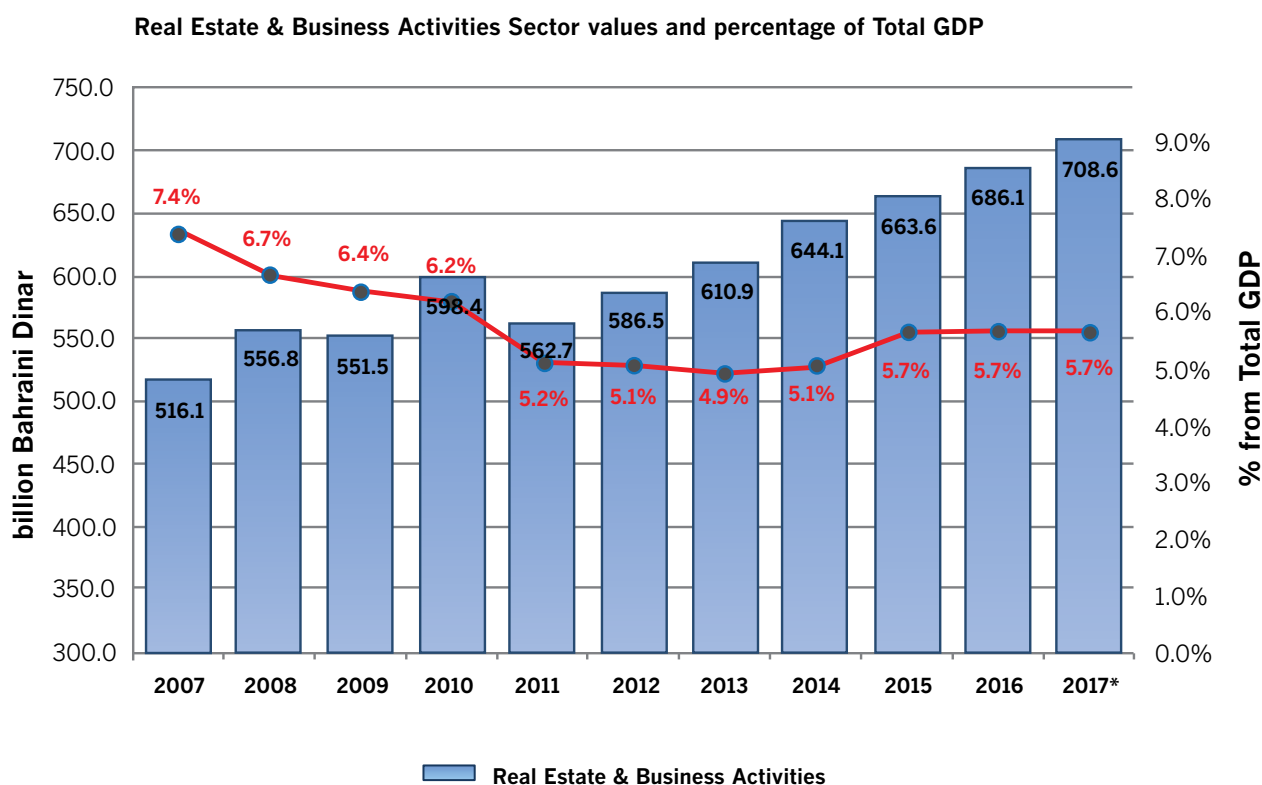
After hitting its record high at around USD 1.493 billion in 2016, the balance of payment deficit will expectedly fall to roughly USD 1.277 billion in 2017 and substantially drop to USD 963 million in 2018 and USD 811 million in 2019. It is also expected that the foreign exchange reserves will drop from USD 3.094 billion in 2016 to USD 2.011 billion in 2017. It will slightly increase to nearly USD 2.312 billion in 2018.

According to EIU forecasts, the Central Bank of Bahrain will continue to maintain its BHD currency peg to the US dollar. As for the inflation rate measured by consumer price index (CPI), it will remain below 2% between 2017 and 2020. Given that the population growth rate will remain low until 2019 and the GDP will further increase and exceed its usual rate, it is expected that the Per Capita GDP will continuously increase between 2017 and 2019.

Performance Indicators for Bahrain Real Estate Market

Over the last four years, the real estate market registered bustling activities thanks to the laws and regulations of the Bahraini government that improved the sector performance, namely those authorizing the acquisition and disposal of properties by foreigners. According to CBB data and EIU forecasts, the real estate and business activities sector already rose at a rate higher than the aggregate economic growth rate. Additionally, the said sector has gradually and increasingly contributed to the GDP components. The contribution to the GDP of the real estate and business activities sector rose from 4.9% in 2013 to nearly 5.1% in 2014 and again to 5.7% between 2015 and 2017. The sector's total value also increased by 3.3% to BHD 708.6 million in 2017 compared to BHD 686.1 million in 2016.

Graph (2)



Source: Central Bank of Bahrain.

*2016 and 2017 data based on Economist Intelligence Unit "EIU" estimations.

Bank loans registered a growth of 5% in nine months between the end of year 2016 and end of September 2017. The rate of the construction and development loans registered 17.6% of the total loans and the compound annual growth rate for bank loans and loans of construction and development scored nearly 7.3% and 6.7% respectively between 2007 and September 2017.

According to the data of the survey and Land Registration Bureau - Kingdom of Bahrain, the real estate market liquidity based on the total trading volume registered around BHD 528.1 million for the first six months of 2017, that is BHD 1.056 billion on an annual basis. Given the 2017 score, the market liquidity rate increased by nearly 1.7% compared to 2016. The Bahraini real estate sector enjoyed a remarkable boom in 2014 and 2015. However, given the slow economic growth and falling oil prices, the said sector witnessed a sluggish trend of activities in 2016 and maintained the same level of slow performance in 2017. Despite such sluggishness, the market liquidity resulted in a compound annual growth rate of around 8.0% during the last six years (from 2012 to 2017).

Graph (3)

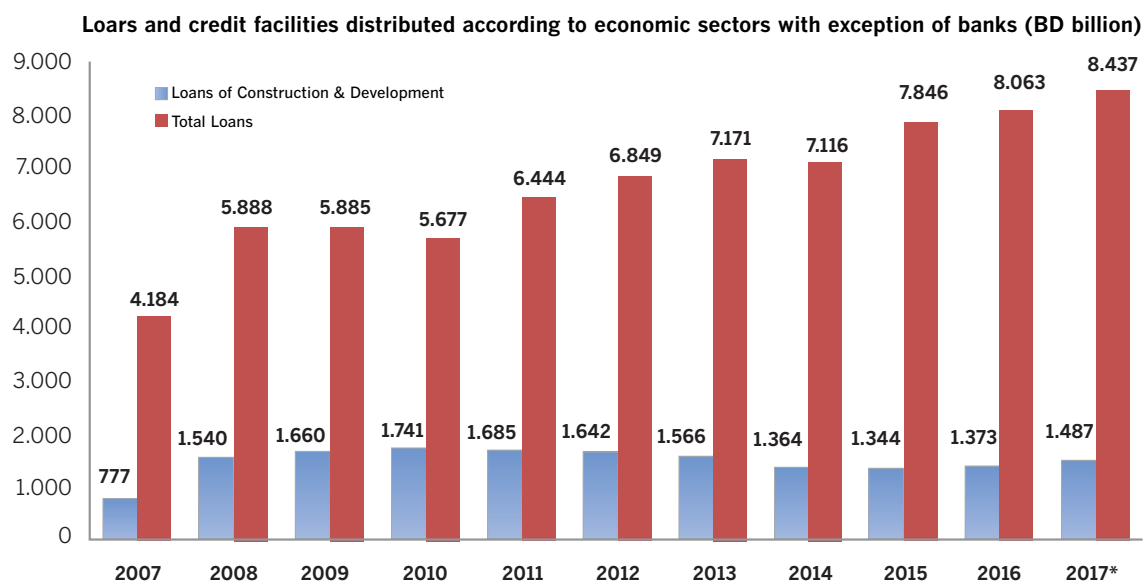
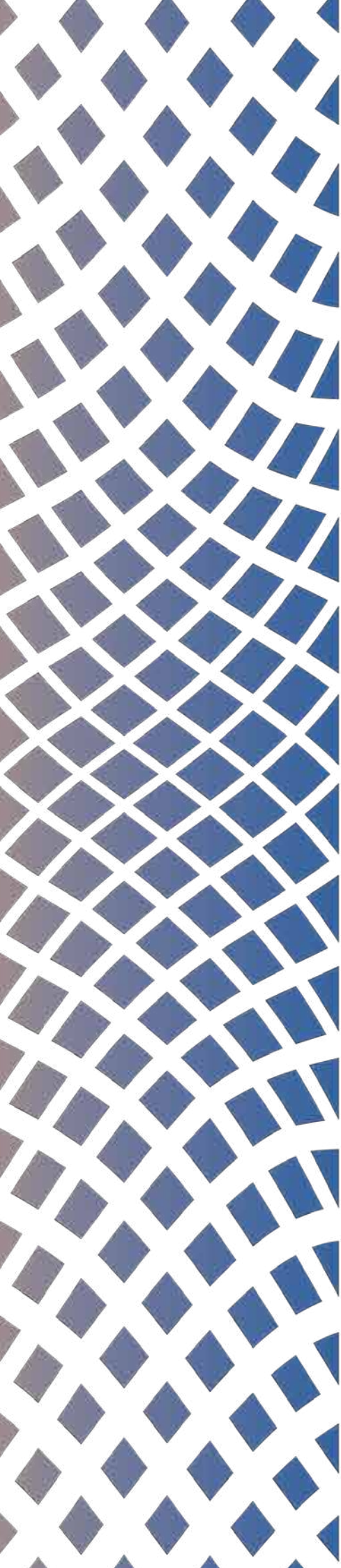


Table 1-Real Estate Transactions Volume

Total Value of real estate transactions	2012	% of the total	2013	% of the total	2014	% of the total	2015	% of the total	2016	% of the total	*2017	% of the total
Bahrainis	559,730	84.3%	757,745	87.9%	1,118,830	86.6%	1,093,441	90.3%	964,712	92.9%	996,437	94.3%
GCC citizens	48,642	7.3%	53,441	6.2%	108,108	8.4%	72,125	6.0%	36,519	3.5%	36,420	3.4%
Foreigners	55,620	8.4%	50,777	5.9%	65,524	5.1%	44,949	3.7%	37,370	3.6%	23,286	2.2%
Total Value of real estate transactions	663,992	100%	861,963	100%	1,292,462	100%	1,210,515	100%	1,038,600	100%	1,056,143	100%

Source: Survey and Land Registration Bureau data - the Kingdom of Bahrain.

**Up to the second quarter of 2017, calculated on an annual basis data.



First Real Estate Company B.S.C. (c)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017



First Real Estate Company B.S.C. (C) Report of the Board of Directors

Bahraini Dinars

The Board of Directors has the pleasure in submitting its report and the audited consolidated financial statements for the year ended 31 December 2017.

Principal activities and review of business developments

The Group is engaged in buying, selling, managing, developing and leasing of flats, offices and houses.

The Group made a net profit of BD 2,580,133 during the year ended 31 December 2017 (2016: BD 2,512,391) of which a profit of BD 2,329,510 is attributable to the equity holders of the parent (2016: BD 2,096,184) and a profit of BD 250,623 is attributable to the non-controlling interests (2016: BD 416,207).

Financial highlights	2017	2016
Total income	5,034,331	4,876,776
Profit for the year	2,580,133	2,512,391
Total assets	89,080,627	81,212,592
Total equity	58,686,958	57,749,902

Representations and audit

The Group's activities for the year ended 31 December 2017 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 December 2017, which would in any way invalidate the consolidated financial statements.

The Group has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors, KPMG Fakhro, who have expressed their willingness to continue as auditors for the next accounting year.

Signed on behalf of the Board

Mohammed Ibrahim Al Farhan

Chairman

15 February 2018



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS FIRST REAL ESTATE COMPANY B.S.C (c) KINGDOM OF BAHRAIN

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of First Real Estate Company BSC (c) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' 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.

Other information

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Directors' report set out on page 1.

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 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 this auditors' 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 consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

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.

As part of an audit in accordance with ISAs, we exercise professional judgment 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. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 the 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.

Report on other regulatory requirements

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

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the directors' report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG Fakhro

Partner Registration No. 83
15 February 2018

Consolidated Statement Of Financial Position

As at 31 December 2017

Bahraini Dinars

	Note	2017	2016
ASSETS			
Furniture, equipment and vehicles		8,485	6,286
Investment properties	5	59,155,839	63,301,931
Investments in associates	6	775,764	1,483,843
Available for sale investments	7	3,176,738	3,376,738
Non-current assets		63,116,826	68,168,798
Properties under development	8	18,397,308	6,553,899
Receivables and other assets	9	1,588,248	2,054,126
Cash and bank balances	10	5,978,245	4,435,769
Current assets		25,963,801	13,043,794
Total assets		89,080,627	81,212,592
EQUITY AND LIABILITIES			
Equity			
Share capital	11	33,390,000	33,390,000
Share premium	12	27,241	27,241
Reserves		17,692,520	17,031,087
Equity attributable to owners of the Company		51,109,761	50,448,328
Non-controlling interests	23	7,577,197	7,301,574
Total equity		58,686,958	57,749,902
Liabilities			
Wakala finance	16	13,370,939	15,830,597
Non-current liabilities		13,370,939	15,830,597
Wakala finance	16	2,456,543	747,886
Payable to shareholders	17	4,506,617	3,460,336
Payables and other liabilities	18	3,018,547	1,534,516
Advances from customers		6,865,073	1,607,367
Advances from tenants		175,950	281,988
Current liabilities		17,022,730	7,632,093
Total liabilities		30,393,669	23,462,690
TOTAL EQUITY AND LIABILITIES		89,080,627	81,212,592

The Board of Directors approved the consolidated financial statements on 15th February 2018 and is signed on its behalf by:



Mohammad Al Farhan
Chairman



Abdulghaffar Abdulrahim Al Kooheji
Vice Chairman

The notes on pages 8 to 26 are an integral part of these consolidated financial statements.

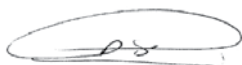
Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December 2017

Bahraini Dinars

	Note	2017	2016
INCOME			
Rental revenue		4,997,888	4,864,598
Other income		36,443	12,178
Total income		5,034,331	4,876,776
EXPENSES			
Property operating expenses		(950,400)	(1,104,366)
Finance costs	16	(824,357)	(860,872)
Impairment loss on available for sale investment	7	(200,000)	-
Other expenses		(254,889)	(304,011)
Staff costs		(254,086)	(198,488)
Depreciation		(1,634)	(1,718)
Share of profit on associates	6	233,859	13,790
Profit from operations		2,782,824	2,421,111
Changes in fair value of investment properties	5	(202,691)	91,280
PROFIT FOR THE YEAR		2,580,133	2,512,391
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		1,423	1,129
TOTAL COMPREHENSIVE INCOME		2,581,556	2,513,520
Profit attributable to:			
Owners of the Company		2,329,510	2,096,184
Non-controlling interests		250,623	416,207
		2,580,133	2,512,391
Total comprehensive income attributable to:			
Owners of the Company		2,330,933	2,097,313
Non-controlling interests		250,623	416,207
		2,581,556	2,513,520

The Board of Directors approved the consolidated financial statements on 15th February 2018 and is signed on its behalf by:



Mohammad Al Farhan
Chairman



Abdulghaffar Abdulrahim Al Kooheji
Vice Chairman

The notes on pages 25 to 46 are an integral part of these consolidated financial statements.

Statement of Changes in Equity

For The Year Ended 31 December 2017

Bahraini Dinars

	Attributable to equity holders of the parent							Non-controlling interest	Total equity	
	Share capital	Share premium	Reserves				Total reserves			
			Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings-not distributable				
Balance at 1 January 2016	33,390,000	27,241	5,386,483	2,155,826	(5,353)	9,364,359	17,031,087	50,448,328	7,301,574	57,749,902
Profit for the year	-	-	-	-	-	2,329,510	2,329,510	2,329,510	250,623	2,580,133
Other comprehensive income	-	-	-	-	1,423	-	1,423	1,423	-	1,423
Total comprehensive income	-	-	-	-	1,423	2,329,510	2,330,933	2,330,933	250,623	2,581,556
Contribution by non-controlling interest	-	-	-	-	-	-	-	-	25,000	25,000
Transfer to statutory reserve	-	-	232,951	-	-	(232,951)	-	-	-	-
Dividends for 2016	-	-	-	-	-	(1,669,500)	(1,669,500)	(1,669,500)	-	(1,669,500)
Balance at 31 December 2017	33,390,000	27,241	5,619,434	2,155,826	(3,930)	9,791,418	129,772	17,692,520	7,577,197	58,686,958

	Attributable to equity holders of the parent							Non-controlling interest	Total equity	
	Share capital	Share premium	Reserves				Total reserves			
			Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings-not distributable				
Balance at 1 January 2016	33,390,000	27,241	5,176,865	2,155,826	(6,482)	9,147,293	16,603,274	50,020,515	9,368,334	59,378,849
Profit for the year	-	-	-	-	-	2,096,184	2,096,184	2,096,184	416,207	2,512,391
Other comprehensive income	-	-	-	-	1,129	-	1,129	1,129	-	1,129
Total comprehensive income	-	-	-	-	1,129	2,096,184	2,097,313	2,097,313	416,207	2,513,520
Contribution by non-controlling interest	-	-	-	-	-	-	-	-	987,369	987,369
Reclassified to payable to shareholders of subsidiaries (note 17)	-	-	-	-	-	-	-	-	(3,460,336)	(3,460,336)
Transfer to statutory reserve	-	-	209,618	-	-	(209,618)	-	-	-	-
Dividends for 2015	-	-	-	-	-	(1,669,500)	(1,669,500)	(1,669,500)	-	(1,669,500)
Balance at 31 December 2016	33,390,000	27,241	5,386,483	2,155,826	(5,353)	9,364,359	129,772	17,031,087	7,301,574	57,749,902

The notes on pages 25 to 46 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

Bahraini Dinars

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	2,580,133	2,512,391
Adjustments for:		
Depreciation	1,634	1,718
Changes in fair value of investment properties	202,691	(91,280)
Share of profit on associates	(233,859)	(13,788)
Impairment loss on available for sale investment	200,000	-
Finance costs	824,357	860,872
Murabaha and wakala income	(36,443)	(8,374)
Operating profit before working capital changes	3,538,513	3,261,539
Working capital changes:		
Receivables and other assets	440,878	(1,350,589)
Trade and other payables	6,745,444	1,634,195
Advances from tenants	(106,038)	25,562
Net cash generated from operating activities	10,618,797	3,570,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment and vehicles	(3,836)	(2,781)
Murabaha and wakala income received	36,443	8,374
Receipts from investment in associates	943,361	-
Additions to investment properties	-	(367,083)
Additions to properties under development	(7,900,007)	(1,533,235)
Term deposit with maturity of more than three months	750,000	-
Net cash used in investing activities	(6,174,039)	(1,894,725)
CASH FLOWS FROM FINANCING ACTIVITIES		
Wakala finance (net)	(751,002)	(524,071)
Finance costs paid	(828,061)	(1,051,945)
Dividends paid	(1,669,500)	(1,669,500)
Additional contribution by non-controlling interest	1,046,281	987,369
Shear capital introduce	50,000	-
Net cash used in from financing activities	(2,152,282)	(2,258,147)
Increase / (decrease) in cash and cash equivalents during the year	2,292,476	(582,165)
Cash and cash equivalents at 1 January	3,685,769	4,267,934
Cash and cash equivalents at 31 December	5,978,245	3,685,769

The notes on pages 8 to 26 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

1. REPORTING ENTITY

First Real Estate Company B.S.C. (c) ("the Company") was incorporated in the Kingdom of Bahrain on 10 September 2002 and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 49288. The Company is engaged in buying, selling, managing, developing and leasing of flats, offices and houses. The Company primarily operates in the Kingdom of Bahrain. The address of the Company's registered head office is Al Rossais Tower - Diplomatic Area, Office No 171 & 172, Building No. 283, Block No 317, Road No 1704, Manama, Kingdom of Bahrain.

The Group comprises of First Real Estate Company B.S.C. (closed) and the following subsidiaries and associate companies as at 31 December 2017 (2016: same)

<i>Company Name</i>	<i>Percentage shareholding</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>Industry</i>
Subsidiaries:				
Al Yal Real Estate Company W.L.L.	50%	Kingdom of Bahrain	2008	Real Estate
Al Yal Seef Residence W.L.L.	50%	Kingdom of Bahrain	2013	Real Estate
Urban Quarters Co. W.L.L.	50%	Kingdom of Bahrain	2017	Management of Real Estate

First Real Estate Company is exposed, or has rights, to variable returns from its involvement with Al Yal Real Estate Company W.L.L., Al Yal Seef Residence W.L.L. and Urban Quarters Co. W.L.L.; and has the ability to affect those returns through its power over Al Yal Real Estate Company W.L.L., Al Yal Seef Residence W.L.L. and Urban Quarters Co. W.L.L. and thus are deemed as subsidiaries of First Real Estate Company B.S.C. (c).

Associates:

Al-Sanbook R.E. Co. L.L.C.	25%	United Arab Emirates	2006	Real Estate
Asdaf Real Estate Company L.L.C.	50%	United Arab Emirates	2009	Real Estate

First Real Estate Company has a significant influence i.e. the power to participate in the financial and operating policy decisions of Asdaf Real Estate Company L.L.C. but does not have control nor joint control over those policies. Hence, Asdaf is deemed as an associate of the Company.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Bahrain Commercial Companies Law, 2001.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except of investment properties which are carried at fair value.

c) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Bahraini Dinar, which is the Group's functional and presentation currency. Except where otherwise stated, all financial information presented has been rounded off to the nearest Dinar.

2 BASIS OF PREPARATION (continued)

d) New standards, amendments and interpretations effective from 1 January 2017

The following standards, amendments and interpretations, which became effective as of 1 January 2017, are relevant to the Group:

(i) *Disclosure Initiative (Amendments to IAS 7).*

The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017 on prospective basis.

The new disclosure requirements have been included in these consolidated financial statements in note 16, where the Group has presented a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(ii) *Annual Improvements to IFRSs 2012–2014 Cycle – various standards.*

The annual improvements to IFRSs to 2014-2016 cycles include certain amendments to various IFRSs. Earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The following are the key amendments in brief:

- IAS 28 Investments in Associates and Joint Ventures – A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

The adoption of these amendments had no significant impact on the consolidated financial statements.

e) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

(i) *IFRS 9 Financial Instruments*

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The Group does not expect to have a significant impact on its consolidated financial statements.

(ii) *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

2 BASIS OF PREPARATION (continued)

The Group Company is in the process of assessing impact of the new standard on the consolidated financial statements.

(iii) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019.

The Group Company does not expect to have a significant impact on its consolidated financial statements.

(iv) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture.

The effective date for these changes has now been postponed until the completion of a broader review – which the IASB hopes will result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. However, early adoption continues to be permitted.

The Group does not expect to have a significant impact on its consolidated financial statements.

(v) Long term interests in associates and joint ventures

An amendment to IAS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment, which addresses equity-accounted loss absorption by LTI, involves the dual application of IAS 28 and IFRS 9 *Financial Instruments*.

The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.

In effect, this is a three-step annual process:

- Apply IFRS 9 independently
- True up past allocations
- Book current year equity share

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

2 BASIS OF PREPARATION (continued)

The amendment applies for annual periods beginning on or after 1 January 2019. Early adoption is permitted. There are transitional reliefs.

The Group Company does not expect to have a significant impact on its consolidated financial statements.

f) Early adoption of standards

The Group did not early adopt new or amended standards in 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

a) Basis of consolidation

- i. **Subsidiaries:**
Subsidiaries' are entity controlled by the Group. The Group 'controls' an entity if it is exposed to, 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 entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.
- ii. **Non-controlling interests**
NCI are measured at their appropriate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted as equity transactions.
- iii. **Associates:**
An associate company is an enterprise in which the Company holds, directly or indirectly, more than 20% of the voting power or exercises significant influence, but not control, over the financial and operating policies. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.
- iv. **Transactions eliminated on consolidation:**
Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

After initial recognition, investment property is carried at fair value. All fair value gains or losses are recognised in the profit or loss in the period in which they arise.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

c) Properties under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the management considers whether the contract comprises:

- A contract to construct a property;
- A contract for the sale of a completed property

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage-of-completion method as construction progresses. Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses.

Continuous transfer of work in progress is applied when;

- The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer.
- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically when buyer cannot put the incomplete property back to the Group.
- In such situation, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

Properties acquired, constructed or in the course of construction or sale in the ordinary course of business are classified as properties under development and include the costs of:

- Freehold rights for land;
- Amounts paid to contractors for construction including the cost of construction of infrastructure; and
- Planning and design costs, costs of site preparation, professional fees for legal services, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs to sale.

The cost of properties under development recognized in the consolidated income statement on sale is determined with reference to the specific costs incurred on the property sold and on allocation of any non-specific costs based on the relative size of the property sold.

d) Financial instruments

(i) Classification

Financial assets

The Group classifies its financial assets into one of the following categories;

- Loans and receivables; and
- Available-for-sale.

Financial liabilities

The Group classifies financial liabilities into other financial liabilities category.

(ii) Recognition

The Group initially recognises receivables, deposits on the date on which they originated. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of the financial position when, and only when, the Group has the legal right to offset the amounts and intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

(iv) Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group for which there are no other appropriate methods from which to derive fair value are carried at cost less impairment allowance.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

e) Receivables

Rent and other receivables are recognised at the lower of their original invoiced value or, where the time value of money is material, receivables are 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Cash and cash equivalents

Cash and bank balances in the consolidated statement of financial position comprise of cash on hand, cash at banks and Murabaha term deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of Murabaha term deposits with original maturity of more than three months, outstanding bank overdrafts and restricted bank accounts, if any.

g) Trade and other payables

Liabilities for trade and other amounts payable 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.

h) Wakala finance

Wakala finance are term borrowings obtained from commercial banks. After initial recognition, profit bearing loans and borrowings are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Profit is charged to the profit or loss as it accrues. Accrued profit is included in accruals in trade and other payables.

i) Advance from tenants

Rent received in advance from tenants is recorded as a liability and recognised as rent revenue when the rent is due.

j) Tenant deposits

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost where time value of money is material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

k) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

l) Employees' end of service benefits

Pension rights (and other social benefits) for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under IAS 19 – Employee Benefits, is recognised as an expense in the profit or loss.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector 2012, based on length of service and final remuneration. Provision for this, which is unfunded and which represents a defined benefit plan under IAS 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the statement of financial position date. The charge for the year is recognised as an expense in the profit or loss.

m) 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 duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks. The following specific recognition criteria must be met before revenue is recognized.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental income

Rental income receivable from operating leases, less the Group's initial direct costs of entering into leases, is recognised on a straight line basis over the lease term on ongoing leases.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such 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, the directors are reasonably certain that the tenant will exercise that option. Amounts received from tenants to terminate or to compensate of dilapidations are recognised in the profit or loss when they arise.

Interest income

Interest income is recognised as it accrues using the effective profit rate method.

n) Foreign currency translation

Transactions in foreign currencies are translated to Bahraini Dinars at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated into Bahraini Dinars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated using the exchange rate at the date of transaction.

The assets and liabilities of foreign operations are translated into Bahraini Dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit for the year.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or in the period of the revision and any future period, if the revision affects both current and future periods.

Estimates – Investment properties

An external, independent valuer, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property every year. The fair value of the investment property is based on determination of value in use of the cash generating unit principally using income capitalization approach.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

5. INVESTMENT PROPERTIES

	2017	2016
As at 1 January	63,301,931	67,381,625
Additions during the year	-	367,083
Transfer to properties under development (note 8)	(3,943,401)	(4,538,057)
	59,358,530	63,210,651
Fair value changes	(202,691)	91,280
As at 31 December	59,155,839	63,301,931

Investment property comprises of vacant plot of lands, residential and commercial properties leased to third parties.

The fair value of residential and commercial properties were determined by an external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement has been categorized as Level 3 fair value based on the inputs to the valuation technique of income capitalization approach.

There have been no movements into or out of level 3 category.

The following table shows the Group's valuation techniques used in measuring the fair values of the investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Income capitalization approach: This is based on the income method which takes into consideration the estimated net rent (using the current and projected average rental rates and occupancy), and a capitalization rate applicable to the nature and type of investment properties in question.	<ul style="list-style-type: none"> • Vacancy allowance: 2017 and 2016: 0% - 10%. • Capitalization rates (2017: 7.75-8.35%, weighted average 8.05% / 2016: 7-7.5%, weighted average 7.42%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • Vacancy allowance were lower (higher); • Capitalization rate were lower (higher).

Were the capitalisation rates on market rentals assumed in the valuation sensitivity analysis to increase/decrease by 1% from the valuer's assessment, the fair value of investment properties would be an estimated BD 5,444,140 (2016: BD 6,183,474) lower or BD 7,002,410 (2016: BD 7,876,776) higher, respectively.

Investment properties include one parcel of land under a long term lease arrangement. The lease has been fully paid and is for a minimum of 50 years.

Included in investment properties are certain plots of land and properties with a carrying value of BD 30,229,059 as at 31 December 2017 (2016: BD 30,493,150) mortgaged against the Group's wakala finance facilities (note 16). Fair value of the vacant plot of lands were determined by independent valuers using market comparables approach. The fair value measurement for the lands have been categorized as Level 2 fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

6. INVESTMENTS IN ASSOCIATES

The carrying amounts included in the consolidated statement of financial position represent the Group's share of net assets in associates as of 31 December and are as follows:

	2017	2016
As at 1 January	1,483,843	1,468,924
Share of profit for the year	233,859	13,790
Distributions received during the year	(943,361)	-
Foreign currency exchange gain	1,423	1,129
As at 31 December	775,764	1,483,843

The following table illustrates the summarised financial information of the Group's investment in associates as of 31 December on the basis of unaudited financial statements:

	31-Dec-17		
	Sanbook	Asdaf	Total
Current assets	720,296	2,444	722,740
Non-current assets	8,878,783	-	8,878,783
Current liabilities	(6,496,025)	(3,384)	(6,499,409)
Net assets	3,103,054	(940)	3,102,114
Proportion of the Group's ownership	25%	50%	
Carrying amount of the investment	775,296	468	775,764
Profit / (loss)	938,322	(2,389)	935,933
Group's share of profit / (loss) for the year	234,580	(721)	233,859
Foreign currency exchange loss	1,423	-	1,423

	31-Dec-16		
	Sanbook	Asdaf	Total
Current assets	839,418	3,587	843,005
Non-current assets	8,842,470	-	8,842,470
Current liabilities	(3,749,400)	(2,145)	(3,751,545)
Net assets	5,932,488	1,442	5,933,930
Proportion of the Group's ownership	25%	50%	
Carrying amount of the investment	1,483,122	721	1,483,843
Profit / (loss)	61,760	(3,300)	58,460
Group's share of profit / (loss) for the year	15,440	(1,650)	13,790
Foreign currency exchange loss	1,129	-	1,129

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

6 INVESTMENTS IN ASSOCIATES (continued)

In 2008 the Group acquired a 25% interest in Al-Sanbook R.E. Co. ("Sanbook"). Sanbook was incorporated in May 2006 and is involved in the acquisition, sale and lease of investment properties in the United Arab Emirates.

Asdaf Real Estate Company LLC ("Asdaf") was incorporated in August 2009. The Group acquired a 50% interest in the company which is to be involved in the acquisition, sale and lease of investment properties. The company is in the initial stages of set up and has not yet commenced operations.

The associates had no contingent liabilities or capital commitments as at 31 December 2017 or 31 December 2016.

7. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
As at 1 January	3,376,738	3,376,738
Impairment for the year	(200,000)	-
As at 31 December	3,176,738	3,376,738

The investments are carried at cost less impairment, as these are not quoted and no other appropriate methods are readily available from which to derive a reliable fair value. The exit strategy is via a trade sale or initial public offering.

8. PROPERTIES UNDER DEVELOPMENT

	2017	2016
As at 1 January	6,553,899	-
Transfer from investment properties (note 5)	3,943,401	4,538,057
Cost recognized during the year	7,900,008	2,015,842
As at 31 December	18,397,308	6,553,899

9. RECEIVABLES AND OTHER ASSETS

	2017	2016
Advance to contractors	831,855	1,053,371
Tenants receivables	558,575	364,178
Amounts due from related parties (note 19)	91,529	483,018
Prepaid expenses	15,550	64,393
Security deposit	85,639	85,639
Other receivables	5,100	3,527
	1,588,248	2,054,126

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

9 RECEIVABLES AND OTHER ASSETS (continued)

Amounts due from related parties represents collections from tenants made by a shareholder on behalf of the Group and commissions and other expenses paid by the Group on behalf of the shareholders. The balance is interest free and payable on demand.

Amounts due from non-controlling interests represent amounts due to the Group from the non-controlling shareholder. The amount is interest free and payable on demand.

Tenant receivables are non-interest bearing and are normally settled on cash basis and are due on rental agreements. Unimpaired receivables are not past due and are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

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

	Total BD	Neither past due nor impaired	Past due but not impaired			
			30 – 60 days BD	60 – 90 days BD	90 – 120 days BD	>120 days BD
2017	558,575	240,898	281,631	13,606	22,440	-
2016	364,178	226,815	35,971	18,855	82,537	-

10. CASH AND BANK BALANCES

	2017	2016
Cash and bank balances	5,978,245	3,435,769
Short-term bank deposits (maturing within 3 months)	-	250,000
Cash and cash equivalent in statement of cash flows	5,978,245	3,685,769
Cash and cash equivalent	5,978,245	3,685,769
Term deposits (maturity over 3 months)	-	750,000
Cash and bank balances in statement of financial position	5,978,245	4,435,769

Cash at banks disclosed above exclude the effect of cash deposited in a commercial bank in the State of Kuwait amounting to BD 11,876 held by the Group in a fiduciary capacity to a subsidiary shareholder (2016: BD 11,876).

Murabaha term deposits are short term deposits with commercial banks in the Kingdom of Bahrain. The deposits are denominated in Bahraini Dinars with an effective profit rate of 1.31% (2016: 0.85%) and are made for varying periods of between one to six months.

11. SHARE CAPITAL

	2017	2016
Authorised:		
333,900,000 (2016: 333,900,000) ordinary shares of 100 fils (2016: 100 fils) each	33,390,000	33,390,000
Issued, subscribed and paid up	33,390,000	33,390,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

12. SHARE PREMIUM

This represents the balance transferred after setting off share issuance and restructuring expenses incurred by the Company from the amount of 5 fils received in excess of the face value of shares from the subscribers of share capital.

13. STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's article of association, 10% of the profit for the year has been transferred to a statutory reserve. The Company may resolve to discontinue such annual transfer 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.

14. GENERAL RESERVE

The general reserve, which represents funds set aside for the purpose of future capital expenditure and to enhance the capital base of the Group, is distributable.

15. RETAINED EARNINGS - NOT DISTRIBUTABLE

This represents the Group's share in the statutory reserves of its subsidiaries and is not available for distribution.

16. WAKALA FINANCE

	2017	2016
Wakala finance 1	13,332,554	13,332,554
Wakala finance 2	2,494,927	3,245,929
	15,827,481	16,578,483
Less: current portion	(2,456,543)	(747,886)
Non-current portion	13,370,939	15,830,597

	Wakala finance	Interest payable
As at 1 January	16,578,483	159,250
Interest accrued for the year	-	824,357
Paid during the year	(751,002)	(828,061)
As at 31 December	15,827,481	155,546

Wakala finance 1

The finance arrangement is secured by a first legal mortgage over certain lands and properties included in the Group's investment properties with a carrying value of BD 25,429,059 (2016: BD 25,635,413) (note 5). The loan carries a profit rate of Bibor plus 2.5% p.a. 50% of the principal amount is repayable in 16 equal quarterly instalments starting 31 January 2018 and the remaining 50% is repayable at final maturity date on 31 January 2022. Profit is payable on a quarterly basis and is expensed to the profit or loss as it accrues.

Wakala finance 2

The finance arrangement is secured by a first charge over certain land included in the Group's investment properties with a carrying value of BD 4,800,000 (2016: 4,857,737) (note 5). The loan carries a profit rate of 5% p.a. The principal amount is repayable in 60 equal monthly instalments starting from 15 January 2016 with final maturity date on 15 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

16 WAKALA FINANCE (continued)

Finance charges incurred on Wakala finances have been included in profit or loss as follows:

	2017	2016
Wakala finance 1	675,886	677,738
Wakala finance 2	147,255	183,068
Bank charges	1,216	66
	824,357	860,872

17. PAYABLE TO RELATED PARTIES

The balance represents an amount payable to a shareholder from the non-controlling interests of the subsidiaries (AIDhow Real Estate) for an amount of BD 4,506,617 (2016: BD 3,460,336). This amount has been reclassified from equity to liabilities due to changes in the subsidiaries.

18. PAYABLES AND OTHER LIABILITIES

	2017	2016
Payable to contractors (note 19)	2,388,483	892,074
Amounts due to a related party (note 19)	45,277	155,466
Current account with property manager	218,276	106,442
Accrued expenses	210,965	216,002
Accrued finance costs	155,546	159,250
Trade payables	-	5,282
	3,018,547	1,534,516

Trade payables are generally non-interest bearing and are settled on 30 day terms.

19. RELATED PARTY TRANSACTIONS

Related parties represent associate companies, 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 Group's management.

Transactions with related parties included in the profit or loss are as follows:

- A entity related to a shareholder acts as the property manager for certain investment properties of the Group. During the year ended 31 December 2017, the Group incurred property expenses of BD 752,929 (2016: BD 855,296) with this property manager for running the day-to-day operations, renewal of contracts and securing new tenants in relation to these properties.
- A shareholder also acts as a property manager on an investment property for the Group. During the year ended 31 December 2017, the Group incurred property expenses of BD 197,471 (2016: BD 192,819) with this property manager for running the day-to-day operations, renewal of contracts and securing new tenants in relation to these properties.

Balances receivable from related parties included in the consolidated statement of financial position amounted to BD 91,529 (2016: 483,018) (note 9)

The balance payable to a related party included in the consolidated statement of financial position amounted to BD 45,277 (2016: 155,466) (note 18).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

19 RELATED PARTY TRANSACTIONS (continued)

Balance payable to contractors includes an amount of BD 2,388,483 due to a shareholder for the development of properties (2016: BD 892,074) (note 18).

Outstanding receivable from related parties arise in the normal course of business and are interest free and unsecured. The Group only creates an allowance for impairment for related party balances where it is virtually certain the debt will not be recovered. For the year ended 31 December 2017, the Group has not recorded any impairment of amounts owed by related parties (2016: nil).

Compensation of key management personnel

Remuneration of directors and members of key management during the year amounted to BD 70,000 (2016: BD 70,000).

20. RISK MANAGEMENT

Introduction

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

Market risk

Market risk is the risk that fair values of financial instruments will fluctuate because of changes in market prices. This comprises profit rate risk and currency risk.

Interest rate risk

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the market interest rates. The Group is not subject to significant interest rate risk on its interest bearing Wakala Finance.

Currency risk

Currency risk is the risk that the fair value or 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 Group mainly transacts its business in Bahraini Dinars and United Arab Emirates Dirhams which are all pegged to the United States Dollar, hence is not exposed to a significant currency risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk on its tenant and other receivables and cash and cash equivalents. Credit risk from cash and cash equivalents 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. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. With regards to amount due from related parties, management believes that they do not represent a significant credit risk.

As the Group has let out its properties to a large number of tenants, there is no significant concentration of credit risk. The Group seeks to limit its credit risk by determining payment terms and conditions in the lease agreement with the tenants and by monitoring and following up of overdue payments. Further, credit risk is managed by requiring tenants to pay rentals in advance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

20 RISK MANAGEMENT (continued)

The carrying amount of financial assets represent the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarizes the maturities of the Group's undiscounted financial liabilities, based on contractual payment dates and current market's interest rates.

2017	Less than 3 months	3 to 12 months	1 to 5 years	Total
Wakala finance	804,450	2,340,148	14,902,689	18,047,288
Payable to related parties	4,506,617	-	-	4,506,617
Payable to contractors	1,962,539	-	425,944	2,388,483
Amounts due to related parties	45,277	-	-	45,277
Current account with property manager	218,276	-	-	218,276
Accrued finance costs	155,546	-	-	155,546
Total	8,118,649	2,340,148	14,902,689	25,361,487

2016	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Wakala finance	391,221	1,106,809	11,493,461	6,749,595	19,741,086
Payable to related parties	3,460,336	-	-	-	3,460,336
Payable to contractors	819,801	-	-	72,273	892,074
Amounts due to related parties	155,466	-	-	-	155,466
Current account with property manager	106,442	-	-	-	106,442
Accrued finance costs	159,250	-	-	-	159,250
Trade payables	5,282	-	-	-	5,282
Total	5,170,071	1,106,809	11,493,461	6,749,595	24,519,936

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio 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 business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. Capital comprises equity of the Group and is measured at BD 51,109,761 at 31 December 2017 (31 December 2016: BD 50,448,328).

21. FAIR VALUES

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 in the principal or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance of risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

21 FAIR VALUES (continued)

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measures:

- *Level 1:* Quoted market price (unadjusted) in an active market for an identical instrument.
- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair values of financial assets and financial liabilities carried at amortised cost approximate the carrying values as at the reporting date due to their short term nature.

22. FINANCIAL INSTRUMENTS BY CATEGORY

The classification of financial assets and liabilities by accounting categorization is as follows:

2017	Loans and receivables	Available-for-sale	At amortised cost	Total carrying amount
Available-for-sale investments	-	3,176,738	-	3,176,738
Receivables & other assets	1,588,248	-	-	1,588,248
Cash and bank balances	5,928,245	-	-	5,928,245
	7,516,493	3,176,738	-	10,693,231
Payable & other liabilities	-	-	3,018,547	3,018,547
Advances from tenants	-	-	175,950	175,950
Wakala finance	-	-	15,827,482	15,827,482
Payable to related parties	-	-	4,506,617	4,506,617
	-	-	23,528,596	23,528,596

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

22 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2016	Loans and receivables	Available-for-sale	At amortised cost	Total carrying amount
Available-for-sale investments	-	3,376,738	-	3,376,738
Receivables & other assets	2,054,126	-	-	2,054,126
Cash and bank balances	4,435,769	-	-	4,435,769
	6,489,895	3,376,738	-	9,866,633
Payable & other liabilities	-	-	3,141,883	3,141,883
Advances from tenants	-	-	281,988	281,988
Wakala finance	-	-	16,578,483	16,578,483
Payable to related parties	-	-	3,460,336	3,460,336
	-	-	23,462,690	23,462,690

23. NON-CONTROLLING INTERESTS

The following table summarises the information related to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2017 <i>In BHD</i>	Al Yal Seef Residence	Al Yal Real Estate	Urban Quarters	Intra-group eliminations	Total
NCI percentage	50%	50%	50%		
Non-current assets	10,000,000	18,437,915	-	-	28,437,915
Current assets	758,754	4,287,806	50,000	-	5,096,560
Current liabilities	1,581,410	16,790,933	-	-	18,372,343
Net assets	9,177,344	5,935,788	50,000	-	15,163,132
Net assets attributable to NCI	4,588,672	2,963,525	25,000	-	7,577,197
Revenue	1,051,173	29,078	-	-	1,080,251
Profit	608,627	(107,381)	-	-	501,246
OCI	-	-	-	-	-
Total comprehensive income	608,627	(107,381)	-	-	501,246
Profit allocated to NCI	304,314	(53,691)	-	-	250,623
OCI allocated to NCI	-	-	-	-	-
Cash flows from operating activities	-	9,600,255	-	-	9,600,255
Cash flows from investing activities	-	(7,900,556)	-	-	(7,900,556)
Cash flows from financing activities (dividends to NCI: nil)	-	-	50,000	-	50,000
Net increase in cash and cash equivalents	-	1,699,699	50,000	-	1,749,699

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Bahraini Dinars

23 NON-CONTROLLING INTERESTS (continued)

31 December 2016 <i>In BHD</i>	Al Yal Seef Residence	Al Yal Real Estate	Intra-group eliminations	Total
NCI percentage	50%	50%		
Non-current assets	10,203,396	10,537,359	-	20,740,755
Current assets	470,413	2,807,700	(136,222)	3,141,891
Current liabilities	2,105,093	7,302,890	(136,222)	9,271,761
Net assets	8,568,716	6,042,169	-	14,610,885
Net assets attributable to NCI	4,284,358	3,017,216	-	7,301,574
Revenue	1,325,127	5,224	-	1,330,351
Profit	1,021,771	(189,357)	-	832,414
OCI	-	-	-	-
Total comprehensive income	1,021,771	(189,357)	-	832,414
Profit allocated to NCI	510,885	(94,678)	-	416,207
OCI allocated to NCI	-	-	-	-
Cash flows from operating activities	-	3,673,191	-	3,673,191
Cash flows from investing activities	-	(2,018,530)	-	(2,018,530)
Cash flows from financing activities (dividends to NCI: nil)	-	-	-	-
Net increase in cash and cash equivalents	-	1,654,661	-	1,654,661

24. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the date of consolidated statement of financial position but not provided for, relating to the Group, amounted to nil (2016: nil).

25. APPROPRIATIONS

The Board of Directors have proposed the following appropriations for the year 2017:

	2017	2016
Cash dividend proposed – 5 fils per share	1,669,500	1,669,500
	1,669,500	1,669,500