Towards Strategic Growth

Annual Report 2017

البحرين الأولى

First Bahrain

His Highness
Sheikh Sabah Al Ahmad Al Jaber Al Sabah

Amir of the State of Kuwait

His Highness
Sheikh Nawaf Al Ahmad Al Jaber Al Sabah

Crown Prince of the State of Kuwait

His Royal Highness
Prince Khalifa bin Salman Al Khalifa

The Prime Minister of the
Kingdom of Bahrain

His Majesty
King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

Crown Prince, Deputy Supreme Commander
& First Deputy Prime Minister

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www.elmercadojanabiya.com www.elmercadovillage.com
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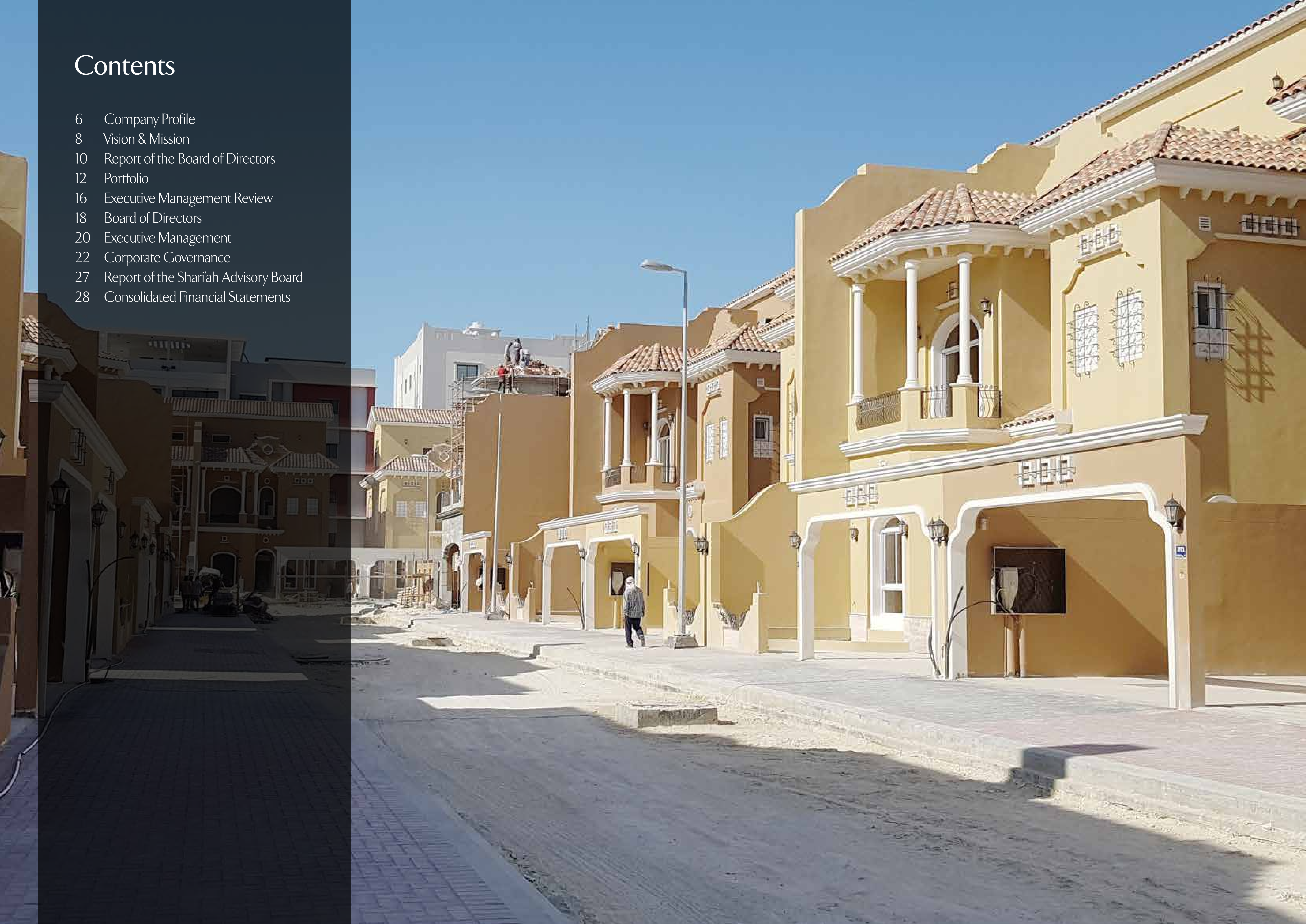

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Company Profile

First Bahrain Real Estate Development Co. K.S.C. (First Bahrain) is an innovative real estate investment company, dedicated to achieving sustainable returns through collaborative relationships.

First Bahrain creates enduring value for all stakeholders with a demand-driven investment approach. Operating out of offices in Kuwait and Bahrain, the Company is strategically positioned to execute projects across the GCC.

Established in October 2004 in Kuwait as Baraq Al Khaleej Holding Company, with a paid-up capital of KD 1 million, the corporate name was later changed to First Bahrain Real Estate Development Company, and the paid-up capital was increased. In 2007, First Bahrain opened an office in the Kingdom of Bahrain. Since its inception, the Company has been guided by the principles of Islamic Shari'ah in all its daily operations and business interests.

The principal shareholders of First Bahrain are leading regional institutions and high-profile real estate investors, including Global Investment House, Action Group Holdings Co., Wafra International Investments Co., Esterad Investment Co. and the General Retirement and Social Authority of the State of Qatar.

First Bahrain owns or holds rights to over 1,000,000 square feet of strategically located lands in the Kingdom of Bahrain.

The Company's inaugural project, Majaal, is a flexible-use industrial facility designed to support Small-to-Medium-sized Enterprises (SMEs). The facility is located at the Bahrain Investment Wharf (BIW), within Salman Industrial City, near to both the new Khalifa bin Salman Port and the Bahrain International Airport.

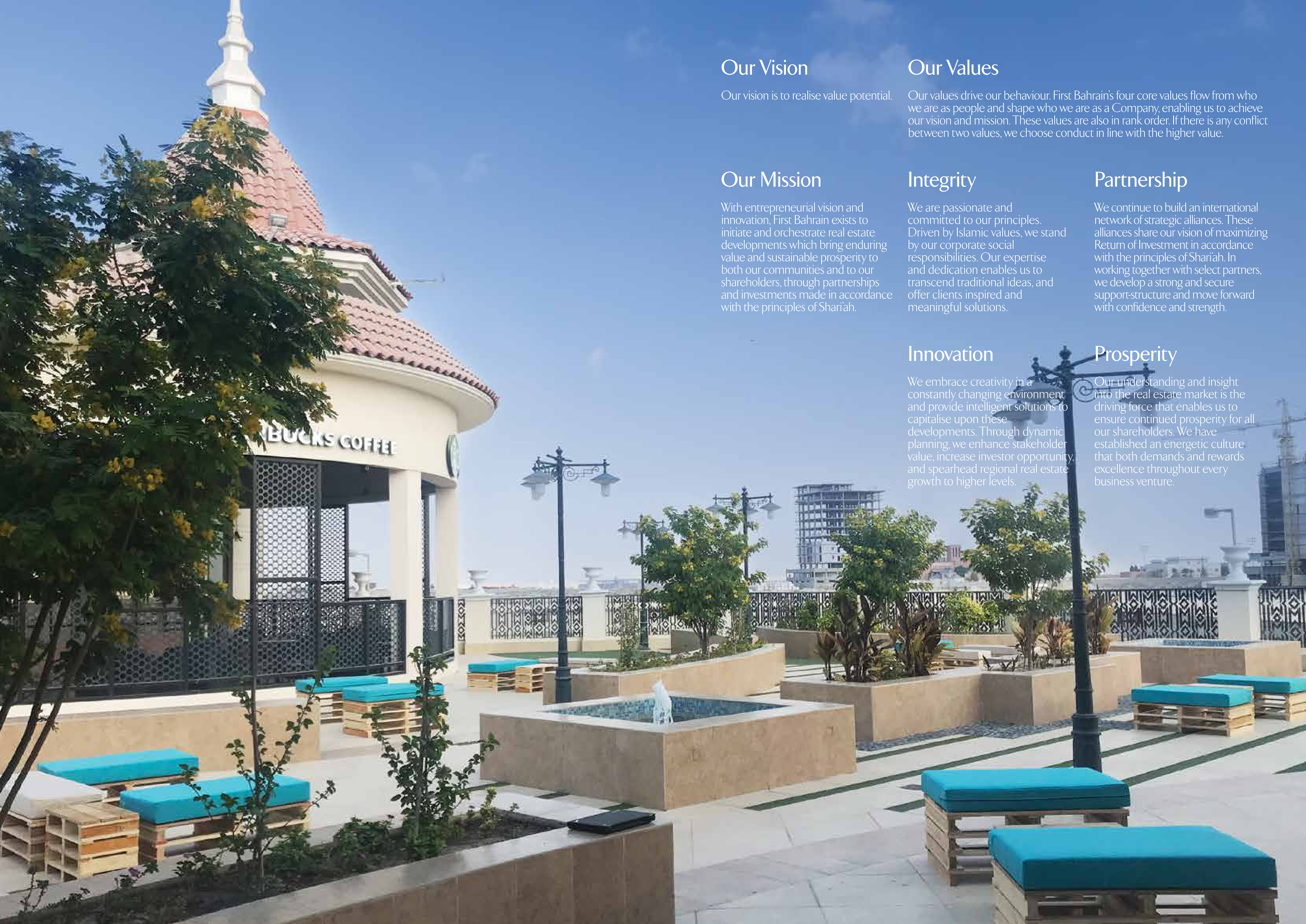
Comprised of seven buildings developed between 2009 and 2014, the complex is now operating at full occupancy, functioning as home to over 30 businesses representing a range of activities from FMCG distributors to small manufacturers.

The Company initiated the development of its property in Janabiya in 2015, completing the commercial phase of the project early in 2016. El Mercado Janabiya, a neighbourhood market with an upscale outdoor experience has identified a niche market within its catchment area, providing the community food and beverage options, important services and an anchor high-end grocer. The residential phase of the project began design work in early 2016, when the Company received approval to subdivide the 150,000 square-foot property into forty-two individual plots for semi-detached and stand-alone homes. Construction commenced in the fourth quarter of 2016 and is expected to be complete before Eid in the coming year.

With the addition of commercial and residential developments to its portfolio of industrial properties, the Company has diversified its holdings, grown its balance sheet and is looking towards strategic growth as it pursues cash exits and new projects on the horizon.

Despite the negative economic shocks coming from lower oil prices, removal of subsidies and new taxes, the Company continues to be optimistic about its potential as it takes advantage of low construction costs and maintains disciplined focus on growing its revenue across multiple sectors.

As it has done with Majaal, the Company is continuing to convert its raw land holdings into robust and fully-developed income generating assets. Marked by entrepreneurial leadership, commitment and integrity, First Bahrain is actively putting its potential to work for the benefit of all its stakeholders.



Our Vision

Our vision is to realise value potential.

Our Mission

With entrepreneurial vision and innovation, First Bahrain exists to initiate and orchestrate real estate developments which bring enduring value and sustainable prosperity to both our communities and to our shareholders, through partnerships and investments made in accordance with the principles of Shari'ah.

Our Values

Our values drive our behaviour. First Bahrain's four core values flow from who we are as people and shape who we are as a Company, enabling us to achieve our vision and mission. These values are also in rank order. If there is any conflict between two values, we choose conduct in line with the higher value.

Integrity

We are passionate and committed to our principles. Driven by Islamic values, we stand by our corporate social responsibilities. Our expertise and dedication enables us to transcend traditional ideas, and offer clients inspired and meaningful solutions.

Partnership

We continue to build an international network of strategic alliances. These alliances share our vision of maximizing Return of Investment in accordance with the principles of Shari'ah. In working together with select partners, we develop a strong and secure support-structure and move forward with confidence and strength.

Innovation

We embrace creativity in a constantly changing environment and provide intelligent solutions to capitalise upon these developments. Through dynamic planning, we enhance stakeholder value, increase investor opportunity, and spearhead regional real estate growth to higher levels.

Prosperity

Our understanding and insight into the real estate market is the driving force that enables us to ensure continued prosperity for all our shareholders. We have established an energetic culture that both demands and rewards excellence throughout every business venture.

Report of the Board of Directors

On behalf of the Board of Directors, it is my pleasure to present this Annual Report and Consolidated Financial Statements of First Bahrain for the year ended 31 December 2017.

2017 has been a year of building for the future. Construction of the forty-two homes of our residential project adjacent to the El Mercado Janabiya neighbourhood market was nearly complete at year-end.

Alongside this construction effort, the Board invested significant time in developing and refining our plans for future growth. Building on our strong reputation and genuine success stories, we rightfully expect our labour to produce significant results in the years ahead. In the midst of what continues to be a difficult macro-economic environment, we saw the stabilization of net rental income with 3% growth to KD 1,305,338 reflecting the combined operating strength of the properties we have developed and leased, serving both the industrial and commercial sectors.

Our current residential development further extends our sectoral diversification and reputation as a developer. At year-end, one third of the homes in the El Mercado Village project were pre-sold with deposits made to escrow accounts set up to protect the rights of home buyers in accordance with the rules of the new Real Estate Regulatory Authority (RERA) in Bahrain. We are proud of our leading position and full compliance within this new legal framework intended to restore investor confidence within the local real estate market. While these pre-sales reflect an additional KD 2.17 million in sales revenue, the recognition of this revenue will not be accounted for until we transfer title deeds of the completed villas to their new owners. As such, we anticipate that the coming year will yield historic returns and see us achieve our first true cash exit on developed properties.

Given that the fruit of our labour in 2017 will not be harvested until the coming year, we should look at this past year as a time of investing towards strategic growth. The net profit for the year was KD 62,042, thanks to the strong and stable rental income tempered by market forces which saw a reduction in the value of our industrial property due to competition and increased supply.

Our balance sheet is healthy and strong with total assets growing by 2.0% to KD 36,662,698, with the ongoing development of our residential project. The developing properties reflect the full value of the villas and the underlying land as a work in progress at year-end, being KD 4,984,327. We have a realistic expectation that this line item will be fully converted to cash in the coming twelve months. In order to support this growth, our Islamic finance payables increased by 26.1% to KD 7,069,457 providing the required finance for construction, demonstrating our strong banking relationships and ability to continue the self-funding of our projects and create new streams of revenue. At 29.6%, our debt to equity ratio is at a very healthy level with ample room for additional leverage.

We are very proud that this past year we were able to deliver the first cash dividend in the season beyond the global financial crisis. This distribution, which is seen in the reduction of retained earnings during the year, was a major milestone. While we are not in a position to distribute this year, I am pleased to confirm that we have a realistic plan in place to distribute regular dividends going forward, thanks to the strength of the current and future projects planned.

We are very proud that this past year we were able to deliver the first cash dividend in the season beyond the global financial crisis.

Projects and Plans

Our core properties continue to generate stable revenue, led by our industrial property, Majaal, which continues to set the standard for flexible-use industrial facilities for the SME sector. Our neighbourhood retail centre, El Mercado Janabiya, which just finished its first full year of operations, is demonstrating that it has identified a solid niche market within its catchment area. Adjacent to and supported by the success of this project, the homes of El Mercado Village are nearing completion. We expect that these homes will be ready for occupancy before Eid, further enhancing our reputation as a developer of well-considered and high-quality projects that have realized both popular and economic success.

Viewing our performance within each sector, our industrial properties represent 33.9% of our holdings while they generate 76.0% of our operating revenue. Our commercial property represents 11.8% of our holdings and generates 24% of our operating revenue. Residential property rose from 9% to 14% of our holdings during the year with the ongoing construction of El Mercado Village. These assets will generate a significant portion of our revenue in the year ahead. Finally, our Seef land represents 40.2% of our holdings but they have yet to contribute to our operating revenue.

Building on the strength of our mixed-use project in Janabiya, we are ready to commence work on our first project in Seef, an entertainment, food and beverage centric open-air retail development located opposite Majid Al Futtaim's Bahrain City Centre Mall. Development of the remaining Seef plots will be a priority in the years ahead as we convert all our dormant assets into active generators of revenue for the shareholders.

We will continue exploring means to realize cash exits from existing income generating properties to create liquidity for further expansion and dividends while also pursuing share listings and other means to gain liquidity through the capital markets. Wherever we invest, we will make sure we are adding value and contributing to the local community in keeping with our values.

Transitions and Acknowledgments

This past year has been a time of significant transitions. At the AGM in May 2017, you elected new representatives to the Board of Directors and we said goodbye to some valuable members of our team. For his three years of dedicated service, I would like to extend my sincere thanks to Mr. Abdullah Hamad Al Jouan. I likewise offer my appreciation to Eng. Rawaf Ibrahim Bourisli for his valuable contributions during the year he served with us. Into these two open seats, we welcome Eng. Abdulaziz Abdulla Al Humaidhi as a representative of Action Group Holdings and Hanan Hassan Abdulghani as a representative of Esterad Investment Company.

Looking to our national leadership, I extend my best wishes to H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Amir of the State of Kuwait, to H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince of the State of Kuwait, and to H.H. Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah, Prime Minister of the State of Kuwait, for their wise guidance and dedication to advancing the growth and development of the State of Kuwait.

In like manner, I am grateful for the faithful and well-considered leadership of H.M. King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, H.R.H. Prince Salman bin Hamad Al Khalifa, The Crown Prince and Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain, and H.R.H. Prince Khalifa bin Salman Al Khalifa, the Prime Minister of the Kingdom of Bahrain. The reforms and initiatives made in the context of constrained budgets and economic difficulties are working to preserve the market and open up new opportunities in our home market, the Kingdom of Bahrain.

Furthermore, I express appreciation to all governmental ministries, supervisory bodies, and regulatory authorities of both countries, for their constructive support and wise guidance.

Finally, I offer my sincere appreciation to our shareholders for your re-affirmation of my leadership in re-electing me for another term as Chairman. It is my honour and privilege to continue to provide guidance and leadership to the Company in the season ahead. To our management and staff, I continue to be impressed with your professionalism and commitment to find ways to achieve the difficult targets we set for you. Keep up the hard work and together we will reap the rewards.

May Almighty Allah grant us all sustained prosperity and growth.

Waleed Ahmed Alkhaja
Chairman

Portfolio

EL MERCADO VILLAGE قريــة المركادو

JANABIYA الجنبيــة

The El Mercado Village project is swiftly moving to completion with construction progress at 81% by year-end. The general contractor, Decorators, began construction during Q4 2016. Designed in a Spanish and Mediterranean style by Sanad Engineering with support from Impact Interiors, the homes are complementary in style to the adjacent retail development. Permissions were obtained to change the project zoning to RHA (row houses) enabling the development of 34 semi-detached and 8 stand-alone villas.

The Company received a license to sell off-plan in January 2017 and established a project escrow account in full compliance with the new real estate laws designed to protect the interests of home buyers. By year-end, 29% of the homes had been pre-sold with deposits received in escrow.

Funding for the project has been secured from Kuwait Finance House as an extension of the facility for the retail centre, allowing for a combined balance of up to BD 5 million. HAJ continues in their support of the project as the cost consultants.

The future occupants of the homes will be demand drivers for the businesses which locate within the retail centre. The two projects will benefit from each other's success.

Residential Sector 14%

El Mercado Village
42 Villa residential development

Location:
Avenue 79, Janabiya 575
Kingdom of Bahrain

Value:
US$ 20.7 million

Total Units:
42

Total Land Area:
153,279 square feet

Start of Construction:
Q4 2016

Expected Date of Completion:
Q2 2018

Expected Date of Handover:
Q2 2018

EL MERCADO المركادو

JANABIYA الجنبيــة

El Mercado Janabiya is a neighbourhood retail centre designed to provide a mix of casual dining restaurants, cafés, shopping, and services supported by an anchor supermarket. By year-end, 100% of the units were leased and 81% were operational. Strong foot-traffic has been maintained through active marketing, social media and regular events.

The facility has 160 covered car parks at ground level. The majority of the shops are on an elevated, landscaped open air platform cooled with shading and water features.

The development sits on a 86,672 square foot plot in Block 575 of Janabiya. Designed and managed by Sanad Engineering with HAJ serving as the cost consultant, the project was built by the Almoayyed Contracting Group.

Funding was arranged through an Islamic finance facility from Kuwait Finance House - Bahrain. The BD 2 million finance facility was more than enough to pay for the full sum of the construction contract.

Commercial Sector 12%

El Mercado Janabiya
a neighbourhood retail centre

Location:
Corner of Avenues 27 and 79
Janabiya, 575 Kingdom of Bahrain

Value:
US$ 13.8 million

Total Occupancy at 31 December:
97%

Leasable Area:
50,408 square feet

Start of Construction:
June 2015

Date of Completion:
April 2016

Commencement of Operations:
June 2016

Grand Opening:
November 2016

Portfolio

MAJAAL™

Majaal is a leading provider of industrial facilities for Small to Medium-sized Enterprises (SMEs), a market segment which constitutes the engine of growth for every economy. As developer and operator of these flexible multi-purpose facilities, Majaal seeks to facilitate the growth of business and industry in the markets we serve.

The first Majaal property is located at the Bahrain Investment Wharf (BIW) within the Salman Industrial City, providing easy access to Khalifa bin Salman Port and other major transport links in Bahrain. Majaal holds land covering over 717,000 square feet in this modern and private industrial development.

The initial three S-Type buildings became operational in February 2010. Each building is sub-dividable into units as small as 2,500 square feet. Three more S-Type buildings were added to our inventory in June 2013.

The centrepiece of the development at BIW, completed during 2014, is our M-Type building, offering 150,000 square feet of net leasable area sub-divisible into units of minimum space of 10,700 square feet. The building features raised floors with adjustable dock-levellers to cater for direct on and off loading of trucks along with a 12m structure height to facilitate maximum storage density.

Beyond facilities, our entrepreneurial team has further expanded Majaal's product offering through the provision of development, leasing and facilities management services. Majaal has successfully guided multiple third party industrial developments from concept to construction and operations.

Industrial Sector 34%

Majaal Warehousing Development at BIW

Location:
Bahrain Investment Wharf, Salman Industrial City, Kingdom of Bahrain

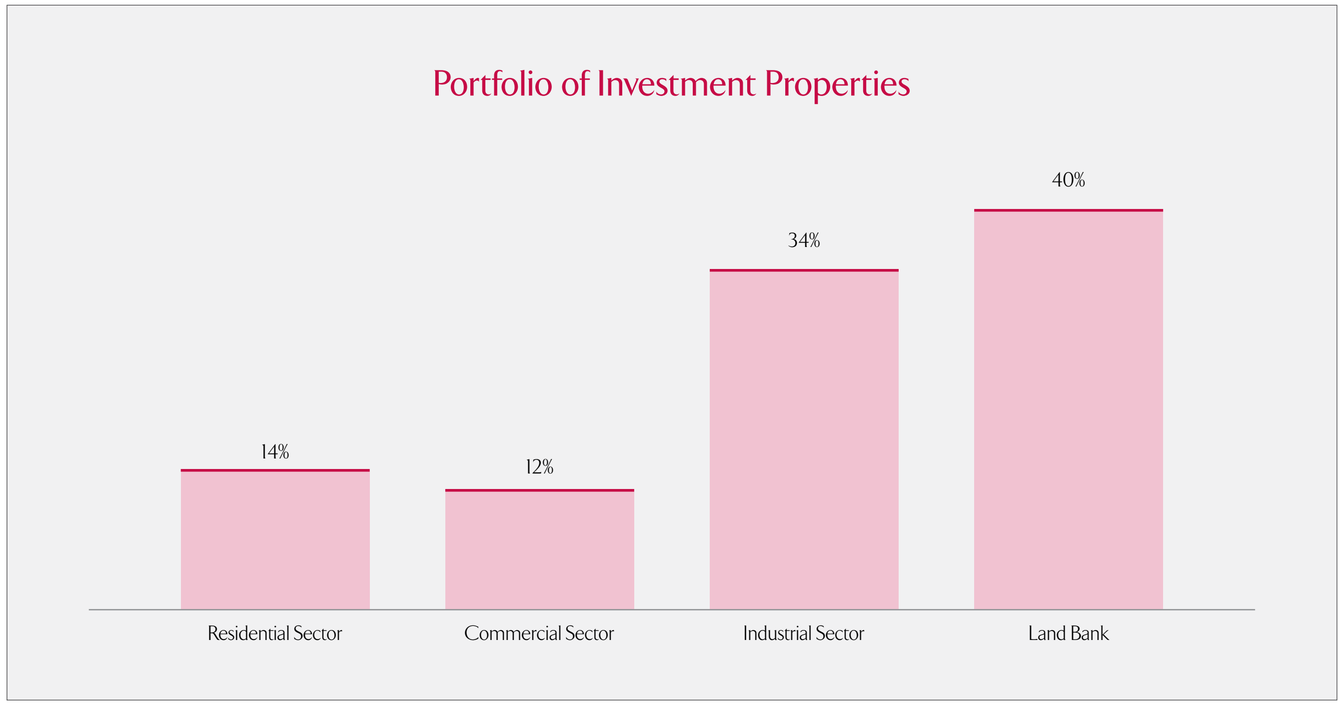
Value:
US$ 39.7 million

Total Occupancy at 31 December:
94%

Leasable Area:
405,308 square feet

Start of Construction:
February 2009

Date of Completion:
April 2014



The Company's four plots in the new central business district hold strategic value and significant potential. Having stabilized in value since the 2008 global financial crisis, the real estate cycle is approaching the point at which the economics are favourable for development again.

The Company is actively planning to replicate its success with El Mercado with the development of a similar project which we seek to activate during 2018. Commencement of this project will be a landmark event as we see the activation of portions of all of the Company's land holdings.

Land Bank 40%

Seef District
just north of Bahrain City Centre Mall

Location:
Corner of Road 2819 and Road 4653
Seef 346, Kingdom of Bahrain

Value:
US$ 47.1 million

Land Area:
164,818 square feet

Expected Start of Construction:
Q3 2018

Expected Date of Completion:
Q4 2019

Report of the Chief Executive

With a view towards strategic growth, 2017 has been a year of building for the future. With our first residential project nearing completion and our income generating properties reaching maturity, there is much to celebrate and leverage as we plan for the next stage of the Company's growth.

With solid operating revenue from our industrial and commercial properties and the addition of residential units for sale, our project portfolio is well diversified and producing good returns despite the ongoing challenges in the macro-economic environment.

We positioned ourselves as a true leader in our industry with our proactive efforts to comply with the new real estate laws mandating escrow accounts for off-plan sales. As the new laws have sought to restore confidence in the market, the home buyers at El Mercado Village have benefited from the assurance of knowing that their deposits have been made into accounts which are pledged directly to the project. Our license to sell off-plan was awarded on 10 January 2017. Our escrow account was only the third created in the country and was the first established at Kuwait Finance House – Bahrain (KFHB). KFHB has also made a credit line available to support the construction of the homes, ensuring their smooth completion. At year-end, we have used only half of the KD 2.6 million available and the balance is more than enough to pay for all remaining contractor invoices.

El Mercado Village was in the limelight during the year, being featured in our participation in the Gulf Property Show in April. In September, the project was recognised by the International Property Awards for Africa and Arabia with five awards of distinction, particularly in the category Residential Development and Property – Single Unit Development. Impact Interiors and Sanad Engineering were also recognised for their work on the village. Building on these accolades and an additional marketing push at completion of the project, I am confident that these units will be absorbed quickly by prospective home owners and investors.

The final project value is expected to be KD 6.4 million. After the construction funding is repaid to Kuwait Finance House – Bahrain, we expect to have KD 3.2 million available for reinvestment and distribution once the funds are released from escrow following the handover of keys to the home buyers.

While the project work has been ongoing, we have also invested heavily this past year in planning for the future. The board election and appointment for a new term triggered a strategic review. Under their wise guidance, we proceeded to map out plans to more than double the value of our income generating properties and associated rental revenue over the coming five years.

First among these plans is a mandate to activate dormant holdings. Towards this end, work is underway as we prepare for the first ground-breaking of our Seef land.

I am very pleased to report that all this growth is achievable through funding generated by current operations supported by project finance available through local Islamic finance houses, with whom Management has already confirmed willingness to fund our planned developments. As we turn these properties into income generating assets with predictable and steadily increasing cash flows, we are on the verge of being able to deliver dividends to our shareholders on a consistent and ongoing basis.

While our asset growth has been funded through debt, our debt to equity ratio remains at a very reasonable 29.6%, allowing room for further expansion. With KD 837,655 in cash and a current ratio of 3.1, we are maintaining sufficient liquidity to meet all ongoing obligations.

Thanks to our innovative CRM system, our existing team is managing the increasing number of customer relationships, which have grown by over 200% since 2013 and is on track to grow by another 50% this coming year.

With all the business activity described, First Bahrain continues to feature prominently in the press as we leverage our relationships and provide the public with positive success stories. Our announcements have included retail tenant signings and participation in events through which we had audience with HRH the Prime Minister, Prince Khalifa bin Salman Al Khalifa and other senior leaders. As our projects make regular headlines in both the local and regional press, our reputation as a leading developer is further supported in the minds of potential partners, tenants and customers.

Our cloud-based real estate-focused CRM system is helping our existing team manage the increasing number of customer relationships, which have grown by over 200% since 2013 and is on track to grow by another 50% this coming year. Processes are being automated and policy manuals are being reviewed to support our continued expansion without significant associated growth in costs.

We will also continue to pursue strategies to monetize or partially exit from existing investment properties which have stabilized cash flows and have reached their maximum potential value.

As we execute these plans, we expect to continue to grow our net income in a steady and measured way. Despite all the negative signals in the broader economic environment, First Bahrain is on track for strong performance supported by cash exits in the year ahead. In the following years, we look to achieve sustained performance through stabilized rental income. As we achieve these results, we will grow our cash balances and start distributing dividends for the shareholders on a consistent basis. We recognize that this journey has been a long one for our investors and we want you to know that we take our stewardship role seriously and we are keeping your interests at the forefront of our planning and consideration.

Acknowledgments

I would like to thank each member of the Board of Directors for their support and patience in the midst of a difficult year where our results fell short of expectations. Their wise counsel and advice, regular engagement and accessibility is helping us manage the risks before us and move forward with confidence and resilience in the face of the headwinds which have been against us. Our Company is much better for the collective wisdom they represent. I am privileged to have them as a mentors and guides.

I am also deeply appreciative of the dedication to duty and entrepreneurial creativity of my executive team and our entire staff, who keep finding ways to differentiate our offerings, positioning us all for increasing levels of success. Their determined and faithful service has delivered better than expected results at every turn, as they apply their well-honed skills to each new challenge we face. They are each a credit to the organization.

The best days of this Company are still before us. Working together, by God's grace, we will achieve results beyond our expectations as we deliver enduring value to each of our stakeholders.

Amin Ahmed Al Arrayed
Chief Executive Officer

Board of Directors

Mr. Waleed Ahmed Alkhaja
Chairman

Mr. Alkhaja is a seasoned leader with a long career in investments. He served for 19 years in the Investment Directorate of the Kingdom of Bahrain's Ministry of Finance, before joining the Pension Fund Commission of Bahrain as Director of Investment and Executive Director of the SIO Asset Management Company. In 2013, he became the Managing Director of AMAK Property & Development, a family firm. He served two terms on the Board of Directors of Seef Properties and Batelco Group. He currently serves on the Board of Directors of Bahrain Tourism Co., Reef Real Estate Finance Co., and Gulf Educational Projects (Applied Science University). Mr. Alkhaja holds a Bachelor's degree in Business Administration from North Texas State University.

Eng. Abdulaziz Abdulla Al Humaidhi
Vice Chairman

Eng. Al Humaidhi is the Deputy General Manager of Action Real Estate Company in Kuwait. A member of Action Real Estate Company since 2016, Eng. Al Humaidhi comes with over 13 years of extensive experience in private sector real estate. While at Ajial Real Estate & Entertainment Company, he managed the construction of Kuwait's tallest skyscraper, the Al Hamra Tower. He also worked in the Chicago, USA with Stanley Consultants, Inc. He currently serves on the Board of Directors for Al Masaken International Real Estate Development Company and previously served as Chairman of Al Hamra Cinema Company, and as a board member for both Ecovert FM Kuwait for General Trading and Contracting and Gulf Real Estate Company. He holds a Bachelor of Science degree in Civil Engineering from the Santa Clara University in California, USA.

Mr. Sulaiman Mohammad Al Furaih
Director, Audit and Risk Management Committee Chairman

Mr. Al Furaih is the Vice President of Financial Analysis for Wafra International Investment Company in Kuwait, where he has risen through the ranks over a distinguished 12 years career with the firm. He also serves as the Chairman of the Board of Directors for Sanam Real Estate Company, Chairman of the Board of Directors for Marbil Yapi Construction - Turkey and Chairman of the Board of Directors for Fanan Real Estate Company. Mr. Al Furaih holds a Bachelor of Science degree in Accounting and Auditing from Kuwait University.

Mr. Bader Ghanem Al Ghanem
Director, Remuneration Committee Chairman

Mr. Al Ghanem is the Senior Vice President for Asset Management, GCC at Global Investment House in Kuwait where he manages a portfolio valued in excess of USD 1 Billion. Prior to joining Global in 2010, he worked for Kuwait Middle East Financial Investment Company (KMEFIC) and Kuwait Financial Centre (Markaz) where he held positions in asset management and futures trading. Mr. Al Ghanem holds a Bachelor of Science degree in Electrical Engineering along with a Bachelor of Arts degree in Economics from Boston University.

Mr. Ahmad Mohammad Al Ajlan
Director

Mr. Al Ajlan is a well-respected senior leader with extensive experience in real estate and investment management. Currently serving as the Chairman for Al-Jahra Cleaning Company, Mr. Al Ajlan has served on the Board of Directors of Qurain Petrochemical Industries Company and Zumorroda Leasing & Finance Company. He previously worked as the General Manager of Real Estate House Company, Vice President of Qurain Holding Company and General Manager of Pearl of Kuwait Real Estate Company. Earlier, he also served with the Kuwait Clearing Company, Kuwait Lube Oil Company and the Public Industrial Authority. Mr. Al Ajlan holds a Bachelor's degree in Business Studies with an emphasis in Marketing from Kuwait University.

Mr. Omar Faysal Reehan Al Temeimy
Director

Mr. Al Temeimy is the Vice President in the Investment Banking Department at Global Investment House in Kuwait. A member of the Global Investment House team since 2003, Mr. Al Temeimy brings significant experience in investment analysis and management. He holds a Bachelor's degree in Economics, with a specialization in Finance, from the International Islamic University of Malaysia and a Master of Business Administration from the Kuwait Maastricht Business School.

Mrs. Hanan Hassan Abdulghani
Director

Mrs. Abdulghani is a Senior Investment Manager at Esterad Investment Company B.S.C. who brings with her more than 12 years of investment experience in the private equity and real estate sectors. She sits on the boards of several investee companies on behalf of Esterad Investment Company. Mrs. Abdulghani holds a Bachelor of Science degree in Banking and Finance from the University of Bahrain and membership within the CFA Society.

Executive Management

Amin Al Arrayed
Chief Executive Officer

Mr. Al Arrayed has skilfully provided wise and stable leadership to the Company throughout a period of tremendous market volatility over the past eleven years. He brings an in-depth knowledge of banking, financial services and real estate developed over a 22-year career. Prior to being selected to lead First Bahrain, he was Head of Retail and Placement at Reef Real Estate Finance Company, and Regional Head of Retail Banking at BBK, in the Kingdom of Bahrain. Active in the local community, Mr. Al Arrayed serves on the board for Kingdom of Bahrain's real estate developer Edamah, as a member of the College Council for Business Administration for the University of Bahrain, and as the Curriculum Advisory Committee for the Bachelor of International Logistics Management program at Bahrain Polytechnic. Mr. Al Arrayed holds a Master of Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and a Bachelor's degree in Economics from the University of Redlands, California, USA.

Daniel Taylor
Chief Financial Officer

An entrepreneur and professional management accountant with a wealth of operational and management experience, Mr. Taylor leads the Finance and Operations teams, overseeing the planning and execution of the Company's strategic objectives. Prior to joining First Bahrain, he was General Manager of New York Coffee, and General Manager of Mariner Technologies, where he was the chief architect of the GCC business news portal, TradeArabia.com. He serves as a member of the Board of Directors of the American Chamber of Commerce in Bahrain and Al Raja School, Bahrain. He earned his Master of Business Administration from the Kellstadt Graduate School of Business at DePaul University, Chicago, USA; and his Bachelor of Arts from the University of Virginia, USA. Mr. Taylor holds the designations ACMA and CGMA through the Chartered Institute of Management Accountants (CIMA) and the Association of International Certified Professional Accountants (AICPA).

Yasser Abu-Lughod
Chief Development Officer

Mr. Abu-Lughod brings over 30 years of international project management and engineering experience to the First Bahrain team where he leads the Company's developments from concept to construction to commissioning and beyond. Prior to joining First Bahrain, Mr. Abu-Lughod worked as senior project manager for Mace International where he managed the infrastructure design and construction phases for Bahrain Bay Development project. He also held several senior posts at VicRoads in Victoria, Australia and GHD Global where he played a key role in the success of infrastructure projects in Al Khore Qatar. Mr. Abu-Lughod holds a B.Sc. in Civil Engineering from University of Wisconsin, Milwaukee; USA. He is a Charted Professional Engineer and a member of the Institution of Engineers in Australia, a holder of the Project Management Professional certification (PMP) and a member of the Project Management Institute (PMI).

Corporate Governance

The Company has put in place a Corporate Governance framework through which it seeks to safeguard shareholders interest, particularly for the minority owners.

The Company seeks to balance entrepreneurship, compliance and industry best practice, while creating value for all stakeholders. This includes, but is not limited to, conducting the policy and affairs of the Company in compliance with regulatory requirements. It also involves having checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

First Bahrain Real Estate Development Company K.S.C. (Closed) is a Kuwaiti closed Shareholding Company which operates as a real estate developer in compliance with the guiding principles of Islamic Shari'ah. While not publicly listed, the Company is working to fully comply with the Corporate Governance framework as established by the Capital Markets Authority of Kuwait. The Company has only one class of ordinary share and the holders of shares have equal voting rights. The list of leading shareholders in the Company as of 31 December 2017 is as follows:

Name	Nationality	No. of Shares	Share %
Global Investment House (Client Accounts)	Kuwait	91,143,985	39.1%
Wafra International Investments (Client Accounts)	Kuwaiti	46,374,487	19.9%
Esterad Real Invest 1 WLL	Bahraini	14,520,000	6.2%
GRSIA Qatar	Qatari	11,319,000	4.9%
Yaqoub Yousif Mohammed Al Jouan	Kuwaiti	10,229,131	4.4%
Other Shareholders	Various	59,722,997	25.6%
Total		233,309,600	100.0%

Distribution of ownership by shares and nationality:

Nationality	Shareholders	No. of Shares	Share %
Kuwaiti	227	215,647,570	92.4%
Bahraini	3	5,614,180	2.4%
Qatari	1	11,319,000	4.9%
Other Nationalities	16	728,850	0.3%
Total	247	233,309,600	100.0%

Distribution of ownership by size of shareholders:

Size of Holding	Shareholders	No. of Shares	Share %
Less than 1%	233	29,243,526	12.5%
1% to less than 5%	11	55,129,386	23.6%
5% to less than 10%	1	14,250,000	6.2%
10% and above	2	134,416,688	57.6%
Total	247	233,309,600	100.0%

Board of Directors

The Articles of Association of the Company detail the responsibilities of the Chairman and members of the Board of Directors as well as the guidelines of Corporate Governance with respect to the distribution of responsibilities between the Board of Directors and Executive Management. The Board of Directors oversee all the business activities in consultation with the Executive Management team. The Board of Directors also discuss and confirm the Company's business strategy. Additionally, the Board of Directors is responsible for the preparation of financial statements, for risk management, and for Corporate Governance issues. These activities are supplementary to the main role of the Board of Directors which is to ensure adherence and commitment to the Company's values as set forth in its internal policies and procedures.

When appointed, Board Members are provided with the necessary detailed information to enable them to effectively perform their main role of overseeing the strategic, operational, financial, and compliance affairs as well as corporate Governance controls in the Company. The Corporate Governance framework allows a member of the Board of Directors to seek independent advice when necessary.

With respect to the channels of communication between the Board of Directors and Executive Management, the Board Members can contact and request information from the Executive Management at all times.

Board of Directors are responsible for ensuring that the systems and controls framework in the Company, including the Board structure and the organisational structure is appropriate for the Company's business and its associated risks. The Board of Directors ensure that there are sufficient resources and expertise to identify, understand, and measure the significant risks to which the Company is exposed in its activities. Directors are regularly assessing the systems and controls framework of the Company to ensure that:

- The Company's operations, individually and collectively are measured, monitored, and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of the Company's activities;
- The Company's operations are supported by an appropriate control environment;
- The compliance, risk management and financial reporting functions are adequately resourced, independent of business lines and is run by individuals not involved with the day-to-day running of the various business areas.
- The Management develops, implements and oversees the effectiveness of comprehensive "Know Your Customer" standards, as well as on-going monitoring of accounts and transactions, in keeping with the requirements of relevant laws, regulations, and best practice.

In their strategy review process, the Board of Directors:

- Review the Company's business plans and the inherent level of risk in the plans;
- Assess the adequacy of capital to support the business risks of the Company;
- Set performance objectives; and
- Oversee major capital expenditures, divestitures, and acquisitions.

Election and Re-election of Directors:

In their meeting dated 14 May 2017 and in compliance with the terms stipulated in the Article of Association, the Shareholders elected all of the current members of the Board of Directors for a period of three years. The Directors are elected by the shareholders at the Annual General Meeting.

Board Composition & Attendance

The members of the Board of Directors collectively possess an extensive background in finance, real estate development, and broader management experience. The members provide valuable directives in meeting Company objectives. The Board consists of seven (2016: seven) non-executive Directors, four (2016: five) of whom are independent Directors.

Per the Articles of Association, the Board is required to meet six times during each year. Board members must attend 75% of all meetings within a calendar year. Board members will step down if they are unable to attend four consecutive meetings without an acceptable explanation. The absence of Board members at Board and Committee meetings will be noted in the meeting minutes. Board attendance percentage will then be reported during any General Assembly Meeting when Board members stand for re-election. Voting and attendance proxies for Board meetings are prohibited at all times.

Corporate Governance

Board & Committee Membership

Director's Name	Nationality	Membership Type	Position	Committee Membership Remuneration	Audit & Risk Management
Waleed Ahmed Alkhaja	Bahraini	Independent	Chairman	Member	
Eng. Abdulaziz Abdulla Al Humaidhi	Kuwaiti	Non-Independent	Vice Chairman	Member	
Sulaiman Mohammad Al Furaih	Kuwaiti	Non-independent	Member		Chairman
Bader Ghanem Al Ghanem	Kuwaiti	Independent	Member	Chairman	
Ahmad Mohammad Al Ajlan	Kuwaiti	Independent	Member		Member
Omar Faysal Reehan Al Temiemy	Iraqi	Independent	Member		Member
Hanan Hassan Abdulghani	Bahraini	Non-independent	Member		Member

Board Meeting Attendance Record

Board Meeting Date	2017 – 1	2017-2	2017-3	2017-4	2017-5	2017-6	Total
	22 Jan	22 Mar	15 May	12 Oct	23 Nov	28 Dec	
Waleed Ahmed Alkhaja	P	P	P	P	P	P	100%
Eng. Abdulaziz Abdulla Al Humaidhi			P	P	P	P	100%
Sulaiman Mohammad Al Furaih	P	P	P	P	P	P	100%
Bader Ghanem Al Ghanem	P	P	A	P	P	P	83%
Ahmad Mohammad Al Ajlan	P	P	P	P	P	P	100%
Omar Faysal Reehan Al Temiemy	P	P	P	P	P	P	100%
Hanan Hassan Abdulghani			P	P	P	P	100%
Abdullah Hamad Al Jouan	P	P					100%
Eng. Rawaf Ibrahim Bourisli	P	P					100%

Board Committee Meetings Attendance Record

Audit and Risk Management Committee

Meeting Date	2017-1	2017-2	2017-3	2017-4	Total
	22 Jan	22 Mar	11 Oct	23 Nov	
Sulaiman Mohammad Al Furaih	P	P	P	P	100%
Omar Faysal Reehan Al Temiemy	P	P	P	P	100%
Hanan Hassan Abdulghani			P	P	100%
Ahmad Mohammad Al Ajlan			P	P	100%
Abdullah Hamad Al Jouan	P	P			100%
Eng. Rawaf Ibrahim Bourisli	P	P			100%

Remuneration Committee

Meeting Date	2017-1	2017-2	2017-3	Total
	21 Mar	21 Oct	23 Nov	
Bader Ghanem Al Ghanem	P	P	P	100%
Waleed Ahmed Alkhaja	P	P	P	100%
Eng. Abdulaziz Abdulla Al Humaidhi		P	P	100%
Ahmad Mohammad Al Ajlan	P			100%

Profiles of each of the members of the Board of Directors are included within this Annual Report.

Board Committees

The Board of Directors have established two subordinate Committees and have delegated specific powers to each committee as follows:

Audit & Risk Management Committee

The primary purpose of the Audit & Risk Management Committee is to assist the Board of Directors in fulfilling its responsibilities by overseeing all audit (external, internal, and Shari'ah) related processes for the Company and its Subsidiaries and by reviewing the related financial information which will be provided to the shareholders, banks and other stakeholders, as well as the systems of internal controls which Management and the Board of Directors have established. The Committee must meet at least three times a year.

The Committee held four meetings during the fiscal year 2017.

Remuneration Committee

The Remuneration Committee was established to align with best practice in Corporate Governance. As and when required by the Board, the Committee identifies persons qualified to become members of the Board, to serve as Chief Executive Officer ("CEO") and or other officers of the Company. The appointment of the external and internal auditors, however, is the responsibility of the Audit & Risk Management Committee. The Committee can make recommendations to the Board including recommendations of candidates for the Board membership to be included by the Board on the agenda for the next AGM meeting, besides reviewing the Company's remuneration policies for both the Executive Management and for the Board of Directors. Board remuneration shall be subject to approval by the shareholders in the AGM meetings. The Committee must meet at least twice a year.

The Committee held three meetings during the fiscal year 2017.

Management

The Board delegates authority for the day-to-day management of the Company to the Chief Executive Officer, who is supported by a qualified and experienced Executive Management team. Profiles of the Executive Management are included within this Annual Report.

Communication & Disclosure

The Company conducts all communications with its stakeholders in a professional, transparent, and timely manner. Communication channels include this annual report and the Annual General Meeting of the shareholders. Other communication channels include the website, social media, and regular announcements made to the local press. For the most current information regarding the Company, including relevant news along with current and historical financial reports, you are invited to regularly visit the Company website at www.firstbahrain.com.

Risk Management

The Company has developed a risk management framework that provides controls and ongoing management of the major risks inherent in the Company's core business activities. The Board of Directors has the ultimate authority for setting the risk appetite, risk tolerance and associated parameters and limits, in which the Company operates. The Audit & Risk Management Committee is responsible for establishing, maintaining, and monitoring a risk based approach to all business activities and management of the Company.

The main risks that the Company is exposed to are credit, liquidity, and market risk. The nature of these risks are further detailed in note 3 to the Consolidated Financial Statements.

Capital Management

The policy of the Board of Directors is to maintain a strong capital base in order to maintain investor, creditor and market confidence, as well as to provide for the future development of the Company. The Board of Directors seeks to maintain a balance between the higher returns and growth which may be possible with higher levels of borrowings and the advantages and security offered by a sound capital position.

Internal Audit

Internal Audit provides an additional line of defence in risk management and internal controls. The role of internal audit is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Company is appropriately and effectively applied.

Internal Audit reports on a semi-annual basis to the Board of Directors through the Audit & Risk Management Committee. The internal auditors report to the Audit & Risk Management Committee the results of periodic audits and obtains commitments from Management to take any remedial action required for any issues raised. The Bahrain office of global audit and advisory firm, Deloitte, serves as the Company's internal auditors.

Al Mashora & Al Raya Shari'ah Advisory Board Report

Praise is only to Allah and Peace and Blessing on the last Prophet. His family and companions.

To the Shareholders of First Bahrain Estate Development Co. (KSC)

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shari'ah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2017 to 31/12/2017. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shari'ah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2017 to 31/12/2017. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shari'ah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Shari'ah Advisory Board:

Prof. Abdul Aziz K. Al-Qassar
Chairman of the Shari'ah Committee

Dr. Essa Zaki Essa
Shari'ah Committee Member

Dr. Ali Ibrahim Al Rashed
Shari'ah Committee Member

Consolidated Financial Statements

Independent Auditor's Report

The Shareholders,
First Bahrain Real Estate Development Company K.S.C. (Closed)

Report on the Audit of the Consolidated Financial Statements

Our Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Bahrain Real Estate Development Company K.S.C. (Closed) ("the Parent Company") and its subsidiaries (together referred to as "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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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 the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the report of the Board of Directors included in the Group's annual report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 management.
- Conclude on the appropriateness of management's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 legal and regulatory requirements

In our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the board of directors' report relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law no. 1 of 2016, its executive by-laws and by the Parent Company's memorandum of association; that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law no. 1 of 2016, its executive bylaws nor of the Parent Company's memorandum of association have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Group or on its consolidated financial position.

Khalid Ebrahim Al-Shatti
License No 175 A
PricewaterhouseCoopers (Al-Shatti & Co.)

29 March 2018
Kuwait

Consolidated statement of financial position

As at 31 December 2017

	Notes	2017 KD	2016 KD
Assets			
Non-current assets			
Investment properties	5	30,236,935	33,378,463
Furniture and equipment		130,812	122,269
		30,367,747	33,500,732
Current assets			
Developing properties	6	4,984,327	493,100
Trade and other receivables	7	469,203	409,920
Financial assets at fair value through profit or loss		3,767	4,563
Cash and bank balances	8	837,654	1,526,666
		6,294,951	2,434,249
Total assets		36,662,698	35,934,981
Equity and liabilities			
Equity			
Share capital	9	23,330,960	23,330,960
Statutory reserve	10	1,621,143	1,614,806
Foreign currency translation reserve		1,678,486	2,078,470
Retained earnings		1,663,829	2,774,672
Total equity		28,294,418	29,798,908
Liabilities			
Non-current liabilities			
Long-term Islamic finance payables	11	6,172,457	4,905,269
Trade and other payables	12	92,766	-
Employees' end of service benefits		83,580	70,804
		6,348,803	4,976,073
Current liabilities			
Short-term Islamic finance payables	11	897,000	701,540
Trade and other payables	12	1,122,477	458,460
		2,019,477	1,160,000
Total liabilities		8,368,280	6,136,073
Total equity and liabilities		36,662,698	35,934,981

Waleed Ahmed Alkhaja
Chairman

Eng. Abdulaziz Abdulla Al Humaidhi
Vice Chairman

Amin Ahmed Al Arrayed
Chief Executive Officer

The accompanying notes form 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

	Notes	2017 KD	2016 KD
Income			
Net rental income	13	1,305,338	1,267,306
Change in fair value of investment properties	5	(175,814)	514,787
Consultancy income		22,812	37,173
Unrealised loss on financial assets at fair value through profit or loss		(796)	(343)
Provision no longer required		2,227	-
Income from Wekala deposit		13,901	11,601
Foreign exchange losses		(16,757)	(1,510)
Total income		1,150,911	1,829,014
Expenses			
General, administrative and marketing expenses		(234,465)	(229,894)
Staff costs		(388,777)	(437,224)
Depreciation		(27,612)	(20,440)
Finance costs		(436,684)	(255,765)
Total expenses		(1,087,538)	(943,323)
Profit before provisions for contribution to Kuwait Foundation for Advancement of Sciences (KFAS), Zakat, and board of directors' remuneration		63,373	885,691
Contribution to KFAS		(570)	(7,971)
Zakat		(761)	(8,961)
Board of Directors remuneration	17	-	(37,000)
Profit for the year		62,042	831,759
Basic and diluted earnings per share (fils/share)	14	0.27	3.57
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		(399,984)	197,025
Other comprehensive (loss) / income for the year		(399,984)	197,025
Total comprehensive (loss) / income for the year		(337,942)	1,028,784

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share capital KD	Statutory reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2016	23,330,960	1,526,237	1,881,445	2,031,482	28,770,124
Profit for the year	-	-	-	831,759	831,759
Other comprehensive income for the year	-	-	197,025	-	197,025
Total comprehensive income for the year	-	-	197,025	831,759	1,028,784
Transfer to statutory reserve	-	88,569	-	(88,569)	-
Balance at 31 December 2016	23,330,960	1,614,806	2,078,470	2,774,672	29,798,908
Profit for the year	-	-	-	62,042	62,042
Other comprehensive loss for the year	-	-	(399,984)	-	(399,984)
Total comprehensive loss for the year	-	-	(399,984)	62,042	(337,942)
Transfer to statutory reserve	-	6,337	-	(6,337)	-
Dividends distributed (note 1)	-	-	-	(1,166,548)	(1,166,548)
Balance at 31 December 2017	23,330,960	1,621,143	1,678,486	1,663,829	28,294,418

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Cash flows from operating activities			
Profit for the year		62,042	831,759
Adjustments for:			
Depreciation		27,612	20,440
Unrealised loss on financial assets at fair value through profit or loss		796	343
Write off of furniture and equipment		1,087	-
Change in fair value of investment properties	5	175,814	(514,787)
Provision no longer required		(2,227)	-
Finance costs		436,684	255,765
Income from Wekala deposit		(13,901)	(11,601)
Provision for employees' end of service benefits		12,776	10,364
Operating income before changes in working capital Changes in working capital:		700,683	592,283
Additions to developing properties		(1,972,639)	-
Trade and other receivables		(59,283)	(165,581)
Trade and other payables		756,783	(184,464)
Net cash (used in) / generated from operating activities		(574,456)	242,238
Cash flows from investing activities:			
Additions to investment properties	5	(10,628)	(723,391)
Purchase of furniture and equipment		(38,829)	(41,343)
Income from Wekala deposit received		13,901	11,601
Net cash used in investing activities		(35,556)	(753,133)
Cash flows from financing activities:			
Proceeds from Islamic finance payables		2,054,896	2,014,839
Repayments of Islamic finance payables		(516,341)	(574,363)
Dividends paid		(1,166,548)	-
Finance costs paid		(436,684)	(255,765)
Net cash (used in) / generated from financing activities		(64,677)	1,184,711
Net (decrease) / increase in cash and bank balances		(674,689)	673,816
Net foreign exchange difference		(14,323)	(64,161)
Cash and bank balances at the beginning of the year		1,526,666	917,011
Cash and bank balances at the end of the year	8	837,654	1,526,666
Non-cash transactions			
Investment properties		2,525,264	418,487
Developing properties		(2,525,264)	(418,487)

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2017

1. INCORPORATION AND ACTIVITIES

First Bahrain Real Estate Development Company K.S.C. (Closed) ("the Parent Company") was incorporated as a Kuwait Shareholding Holding Company on 5 October 2004. The Parent Company has commercial registration Number 103837 dated 16 October 2004. The Parent Company is engaged in activities in accordance with Noble Islamic Shari'ah, which include:

- Trading, management and development of properties inside and outside Kuwait.
- Owning, buying and selling of stocks and bonds of real estate companies inside and outside Kuwait.
- Performing maintenance of properties, including mechanical, electro-mechanical, and air conditioning activities.
- Performing real estate advisory services, feasibility studies and real estate appraisals.
- Managing, operating and leasing hotels, clubs, residential buildings, touristic and health care resorts and providing support services.
- Organizing real estate exhibitions for the Parent Company's real estate projects.

The registered head office of the Parent Company is P.O. Box 64679, Shuwaikh (B) 70457, State of Kuwait.

The Parent Company's main office is at City Tower, 2nd Floor, Khaled Bin Al Waleed Street, Sharq, Kuwait.

The consolidated financial statements comprise the Parent Company and its directly owned subsidiaries (together referred to as "the Group"). A list of subsidiaries follows:

Name of the company	Country of incorporation	Percentage of ownership 2016	Percentage of ownership 2017	Principal activities
First Kuwait Al Seef Real Estate Development Company W.L.L.	Kingdom of Bahrain	99.9%	99.9%	Real estate and investment activities
FB Janabiya Residential Development Company W.L.L.	Kingdom of Bahrain	99.8%	99.8%	Real estate and investment activities
Majaal Warehouse Company W.L.L.	Kingdom of Bahrain	99.8%	99.8%	Real estate and investment activities

The Parent Company owns directly and indirectly 100% of its subsidiaries in accordance to share sale agreements.

The Parent Company indirectly owns Seef Hospitality Investment Company S.P.C in the Kingdom of Bahrain, which is a 100% subsidiary of First Kuwait Al Seef Real Estate Development Company W.L.L.

The total number of employees in the Group was 17 employees as at 31 December 2017 (31 December 2016: 15 employees).

The consolidated financial statements were authorized for issue by the Board of Directors on 21 March 2018 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting.

The consolidated financial statements for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 22 March 2017 and approved by the Annual General Assembly on 14 May 2017.

The Annual General Assembly approved a distribution of cash dividends of 5% of the share capital (5 fils per share) for the year ended 31 December 2016 to the registered shareholders at the date of the general assembly.

Notes to the consolidated financial statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for the adoption of the amendments and annual improvements to IFRSs, that are effective for annual reporting period starting from 1 January 2017 but did not result in any material impact on the accounting policies, financial position or performance of the Group.

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, as modified for the revaluation of "investment properties" and "financial assets at fair value through profit or loss".

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted all standards, amendments and improvements that came effective for the first time for the financial period beginning on or after 1 January 2017 and none resulted in a significant impact on the consolidated financial statements.

(b) New standards, amendments and interpretations issued but not yet adopted by the Group:

'IFRS 9 – Financial instruments'

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is not expecting a significant impact from the adoption of the new standard on 1 January 2018.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses, as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect any significant impact on allowance for trade receivables. Management has concluded that a comprehensive review will be made to estimate and identify non-performing credit risk of accrued income and deferred rental receivables from the beginning of the lease cycle.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

'IFRS 15 – Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and has identified that there will be no significant impact on revenue for the year if the standard is adopted.

The new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

'IFRS 16 – Leases'
'IFRS 16, Leases' will affect primarily the accounting by lessees and will result in the recognition of almost all leases on consolidated statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The consolidated statement of comprehensive income will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted only if IFRS 15 is adopted at the same time. The Group is yet to assess the impact of IFRS 16.

2.2 Consolidation
2.2.1 Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Changes in ownership interests in subsidiaries without change of control
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Parent Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified in the consolidated statement of comprehensive income.

2.2.3 Business combination
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the following items over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in consolidated statement of comprehensive income.

2.3 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified by the Parent Company's Board of Directors.

2.4 Foreign currencies
(a) Functional and presentation currency
Items included in the consolidated financial statements are measured in Bahraini Dinars (BD), which is the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the Parent Company's presentation currency and the presentation currency of the Group.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are recognised in the consolidated statement of comprehensive income.

(c) Foreign operations
The results and financial position of all foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) All resulting exchange differences are recognised in other comprehensive income.

2.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

Valuations are performed as of the reporting date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated statement of financial position.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

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. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the consolidated statement of comprehensive income under 'change in fair value of investment properties'. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognised in the consolidated statement of comprehensive income. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income.

2.6 Developing properties

Developing properties are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for developing properties less all estimated costs of completion and costs necessary to make the sale.

2.7 Furniture and equipment

Furniture and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses, if any.

Cost of an item of furniture and equipment includes its purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing furniture and equipment at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of furniture and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost less residual values over their estimated useful lives, as follows:

Furniture and office equipment	5 years
Computers and electronics	3 years
Leasehold improvement	3 years
Fixtures	3-10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at least at each financial year-end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are recognised in the consolidated statement of comprehensive income.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are computed at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories:

- Loans and receivables,
- Financial assets at fair value through profit or loss,

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise of "Cash and bank balances" and "Trade and other receivables" in the consolidated statement of financial position.

Cash and bank balances

In the consolidated statements of financial position and cash flows, cash and bank balances include cash on hand, bank balances, deposits held with financial institutions, and any other short-term, highly liquid custodies with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables and other debit balances

Trade and other receivables are amount due from customers for goods sold or services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 is satisfied, derivatives are also categorised as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are reported in a separate line item in the consolidated statement of financial position.

2.9.2 Recognition and de-recognition
Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9.3 Measurement
Financial assets are initially recognized at fair value plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets classified at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Subsequently, financial assets at fair value through profit or loss are re-measured at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method less any provision for impairment losses.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the consolidated statement of comprehensive income in the period in which they arise.

2.9.4 Impairment of financial assets
(a) Loans and receivables
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.10 Employees' end of service benefits
The Group is liable under Labour Laws' in respective countries, to make payments to the employees for post-employment benefits through defined benefits plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and is computed as the amount payable as a result of involuntary termination of the Group's employees on the reporting date. The Group expects this method to produce a reliable approximation of the present value of this obligation.

With respect to its national employees, the Parent Company makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries.

2.11 Financial liabilities
A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The Group classifies its financial liabilities as "Trade and other payables" and "Islamic finance payables".

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

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(a) Trade and other payables
Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

(b) Islamic finance payables
Islamic finance payables are initially recognised at fair value, net of transaction costs incurred. Islamic finance payables are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of comprehensive income over the period of the Islamic finance payables using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Islamic finance payables are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income.

Islamic finance payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.12 Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.13 Offsetting of financial assets and liabilities
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.14 Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Rental income
Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

(ii) Sale of developing properties
The Group develops and sells residential properties. Revenue is recognised when the risks and rewards have been transferred and the entity does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the units sold. Due to the nature of the agreements entered into by the Group, this occurs when the legal title has passed to the customer.

Revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

2.15 Finance costs
General and specific finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific Islamic finance payable pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalisation. All other finance costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

The Group capitalises finance costs on qualifying developing properties.

2.16 Leases
Where the Group is the lessor - operating lease

Lease income from operating leases where the Group is a lessor is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position as investment properties.

Where the Group is the lessee - operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors
The Group's activities may expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's finance department.

(a) Market risk
(i) Foreign currency risk
The Group is exposed to foreign currency risk arising from various currency exposures. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

Positions are monitored on a regular basis to ensure positions are maintained within established limits. The Group manages its foreign currency risk by regularly assessing current and expected foreign currency rate movements and Group's foreign currency monetary assets and liabilities.

The Group's net exposure denominated in foreign currencies is not significant.

(ii) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rate will affect future profitability or the fair values of financial instruments. The Group's interest rate risk is not signinficant as Wekala deposits and Islamic finance payables carry fixed rates.

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The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on its consolidated statement of comprehensive income and equity of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Positions are monitored regularly to ensure positions are maintained within established limits. The Group does not have any off balance sheet financial instruments or derivatives which are used to manage the interest rate risk.

(b) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from bank balances, Wekala deposits, and trade and other receivables.

The Group seeks to limit its credit risk with respect to bank balances and deposits by dealing with reputable banks.

For trade and other receivables, the Group seeks to limit its credit risk with respect to receivables by setting limits for tenants and monitoring outstanding rental receivables before standard payment and rent terms and conditions are offered.

Since there is no independent rating for tenants, management of the Group assesses the credit quality of the tenant, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum net exposure to credit risk by class of assets at the reporting date is as follows:

	Carrying amount 2017 KD	Carrying amount 2016 KD
Trade and other receivables	383,795	342,061
Bank balances and Wekala deposits	837,150	1,526,203
	1,220,945	1,868,264

Concentration of credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

The Group's credit risk bearing assets can be analysed by the geographic region and the industry sector as follows:

	2017 KD	2016 KD
Geographic region:		
Kuwait	95,454	63,245
Kingdom of Bahrain	1,125,491	1,805,019
	1,220,945	1,868,264
Industry sector:		
Real estate	383,795	342,061
Banks and other financial institutions	837,150	1,526,203
Total	1,220,945	1,868,264

Credit quality of financial instruments

It is not the practice of the Group to obtain collateral over loans and receivables. Credit exposures classified as 'rated' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good. Credit exposures defined as "not rated" and classified under 'standard' quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The ultimate risk of possible financial loss on "not rated" or 'standard' quality is assessed to be higher than that for the exposures classified within the 'rated' quality range. Not rated assets are classified according to internal credit ratings of the counterparties. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The table below shows the credit risk exposure by credit quality of financial assets by class, grade and status as at 31 December.

	Neither past due nor impaired		
	Rated KD	Not rated Standard grade KD	Total KD
31 December 2017			
Loans and receivables:			
Trade and other receivables	-	383,795	383,795
Bank balances and Wekala deposits	837,150	-	837,150
Total	837,150	383,795	1,220,945
31 December 2016			
Loans and receivables:			
Trade and other receivables	-	342,061	342,061
Bank balances and Wekala deposits	1,526,203	-	1,526,203
Total	1,526,203	342,061	1,868,264

As at 31 December 2017 and 2016, all financial assets of the Group were neither past due nor impaired. Bank balances and Wekala deposits are rated between A+ and C−.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the Group could be required to pay its liabilities earlier than expected.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of Islamic finance payables. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn Islamic finance facilities) and bank balances and cash on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring consolidated statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The maturity profile is monitored by the Group's management to ensure adequate liquidity is maintained. A summary table with maturity of financial liabilities is presented below. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

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The maturity analysis of financial instruments at 31 December is as follows:

	Contractual cash flows					
	Less than one year KD	From 1 to 2 years KD	From 2 to 3 years KD	More than three years KD	Total KD	Carrying amount KD
31 December 2017						
Liabilities						
Islamic finance payables	897,000	1,553,910	1,538,080	3,732,019	7,721,009	7,069,457
Trade and other payables	1,122,477	92,766	-	-	1,215,243	1,215,243
Total liabilities	2,019,477	1,646,676	1,538,080	3,732,019	8,936,252	8,284,700
31 December 2016						
Liabilities						
Islamic finance payables	701,540	1,332,488	1,312,593	2,477,392	5,824,013	5,606,809
Trade and other payables	458,460	-	-	-	458,460	458,460
Total liabilities	1,160,000	1,332,488	1,312,593	2,477,392	6,282,473	6,065,269

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, increase capital or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Group as Islamic finance payables less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

	2017 KD	2016 KD
Islamic finance payables	7,069,457	5,606,809
Less: cash and bank balances	(837,654)	(1,526,666)
Net debt	6,231,803	4,080,143
Total equity	28,294,418	29,798,908
Total capital	34,526,221	33,879,051
Gearing ratio	18%	12%

3.3 Fair value estimation

(a) Assets carried at amortised cost

The fair value of the financial assets and liabilities measured at amortised cost approximate their carrying amounts as at the reporting date.

(b) Assets carried at fair value

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial instruments that are measured at fair value on a recurring basis.

	Level 1 KD	Level 2 KD	Total KD
31 December 2017			
Financial assets at fair value through profit or loss			
Unquoted equity securities	-	3,767	3,767
Total	-	3,767	3,767
31 December 2016			
Financial assets at fair value through profit or loss			
Unquoted equity securities	-	4,563	4,563
Total	-	4,563	4,563

There were no transfers between levels during the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Valuations of investment properties

The determination at the fair value of investment property requires the use of estimates. These estimates are based on local market conditions existing at the reporting date.

In arriving at their estimates of market values as at 31 December 2017, the valuation consultants have applied their market knowledge and professional judgment to use an income approach and sales comparable approach to measure the value of the property. Therefore, in arriving at their estimates of market values for the undeveloped raw lands as at 31 December 2017, the valuers have not only relied solely on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property. Income approach is used to measure the value of the property through a discounted cash flow (DCF) analysis of the net operating income, presuming that the capital investment for the land and buildings is recovered in full over the period of the ground lease.

(b) Classification of real estate properties

Upon acquisition of a real estate property, the Group classifies it into either of the following classifications based on the purpose for which the management will be using it:

(i) Investment properties

The management classifies real estate property as an investment property if it is acquired to generate rental income, for capital appreciation, or for undetermined future use.

(ii) Developing properties

The management classifies real estate property as a developing properties if it is acquired with the intention of development.

5. INVESTMENT PROPERTIES

	2017 KD	2016 KD
Balance at the beginning of the year	33,378,463	32,345,937
Transfers to developing properties (note 6)	(2,525,264)	(418,487)
Additions during the year	10,628	723,391
Change in fair value	(175,814)	514,787
Foreign currency translation differences	(451,078)	212,835
Balance at the end of the year	30,236,935	33,378,463

Investment properties represent land, industrial, and commercial properties acquired or constructed through the Group's subsidiaries in the Kingdom of Bahrain.

Land

Land represents approximately 15,312 square meters of land owned by First Kuwait Al Seef Real Estate Development Company W.L.L. (a subsidiary) with a carrying value amounted to KD 14,142,341 as at 31 December 2017 (31 December 2016: KD 14,325,659), located at Seef Area in the Kingdom of Bahrain, and currently held for undetermined future use. The Group has not concluded as to whether the land plots will be held-for-capital appreciation or for development to earn rental income in the future.

Industrial properties

The properties consist of seven industrial buildings owned by Majaal Warehouse Company W.L.L. (a subsidiary) with a carrying value amounted to KD 11,940,926 as at 31 December 2017 (31 December 2016: KD 12,428,584), built across six industrial-zoned plots located at Bahrain Investment Wharf in the Kingdom of Bahrain and held on a leasehold basis through 21 May 2056 with an option to renew for an additional 25 years.

Commercial properties

The properties consist of an area of 8,052 square meters owned by FB Janabiya Residential Development Company W.L.L. (a subsidiary) with a carrying value amounted to KD 4,153,668 as at 31 December 2017 (31 December 2016: KD 4,064,300). The subsidiary completed the construction of a neighborhood retail center, branded as El Mercado Janabiya, in March 2016. The center began operations in June 2016 and as of 31 December 2017, 100% of the units were leased.

Investment properties amounting to KD 16,094,594 (31 December 2016: KD 19,052,804) are pledged as securities against Islamic finance payable (note 11).

(i) Amounts recognised in the consolidated statement of comprehensive income for investment properties

	2017 KD	2016 KD
Change in fair value of Investment properties	(175,814)	514,787
Net rental income	1,305,338	1,267,306

(ii) Measuring Investment properties at fair value

Investment properties are held for long-term rental yields and are not occupied by the Group, except for the land that is currently held for undetermined future use. The Group has not concluded as to whether the land plots will be held-for-capital appreciation or for development to earn rental income in the future. Investment properties are carried at fair value. Changes in fair values are presented in the consolidated statement of comprehensive income.

(iii) Fair value hierarchy

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment properties annually.

The fair value of the land, as measured by the independent valuers, is recognised as a separate asset held-for-capital appreciation or for development to earn rental income in the future.

The fair value of industrial and commercial properties, as measured by the independent valuers, is recognised as a separate asset to account for deferred rental income which is recognised due to the straight-line treatment of operating lease income less the costs of any free periods or incentives offered to secure new tenants, spread across the entire lease term.

Accordingly, the total fair value of the properties as measured by the independent valuers equals the investment property asset and deferred rental income.

The fair values of the Group's investment properties are categorised into Level 2 and level 3 of the fair value hierarchy.

(iv) Valuation techniques used to determine level 2 and level 3 fair values

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the Group update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Group consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for industrial and commercial properties are included in level 3 and the land held for undetermined future use is under level 2. The level 2 fair value of land held for undetermined future use has been derived using the sales comparison approach. The key inputs under this approach are the price per square meters from current year asking prices of comparable lots of land in the same area (location and size).

(v) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2017 and 2016 for recurring fair value measurements:

	2017 KD	2016 KD
At the beginning of the year	16,492,884	12,395,829
Change in fair value	(175,814)	514,787
Additions during the year	-	3,475,055
Foreign currency translation differences	(222,476)	107,213
At the end of the year	16,094,594	16,492,884

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(vi) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant inputs used in recurring level 2 and level 3 fair value measurements.

Description	Valuation technique	Fair value	Significant inputs	Interrelationship between key unobservable inputs and fair value measurement
Land	Sales comparable approach	Level 2	• Price per square feet	For every change of KD 1 per square feet, the investment properties value would be impacted by KD 132,703.
Industrial properties	Income approach: the valuation model considers the present value of net operating income to be generated from the property, taking into account expected rental growth rate, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net operating income is discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	Level 3	• Expected market rental growth rate (2% - 3%, weighted average 2.6%). • Occupancy rate (90% - 95%, weighted average 92.6%) • Rent-free period (3 months period on new leases) • Risk-adjusted discount rates (5% - 6.3%, weighted average 5.8%). • Property yield rate 10% - 10.5%.	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower), • the occupancy rate was higher (lower); • Rent-free period was shorter (longer); or • the risk-adjusted discount rate was higher (lower). • Property yield rate was higher (lower).
Commercial properties	Income approach: the valuation model considers the present value of net operating income to be generated from the property, taking into account expected rental growth rate, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net operating income is discounted using risk-adjusted discount rates among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	Level 3	• Expected market rental growth rate (2% - 3%, weighted average 2.6%). • Occupancy rate (90% - 95%, weighted average 92.5%). • Rent-free period (3 months period on new leases). • Risk-adjusted discount rates (5% - 6.3%, weighted average 5.8%). • Property yield rate 9%.	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • the occupancy rate were higher (lower); • rent-free periods were shorter (longer); or • the risk-adjusted discount rate were higher / (lower). • Property yield rate was higher (lower).

6. DEVELOPING PROPERTIES

Developing properties represent residential properties owned by FB Janabiya Residential Development Company W.L.L. (a subsidiary). The properties consist of a 14,240 square meter master plot, which the subsidiary has subdivided into 42 plots on which it is constructing 42 villas, branded as the El Mercado Village. Construction of the villas began in October 2016. Completion and handover is expected during the first half of 2018. A license to sell off-plan was received on 10 January 2017. As of 31 December 2017, 12 villas were pre-sold.

	2017 KD	2016 KD
Balance at the beginning of the year	493,100	-
Transfer from Investment properties (note 5)	2,525,264	418,487
Additions during the year	1,972,639	71,919
Foreign currency translation differences	(6,676)	2,694
Balance at the end of the year	4,984,327	493,100

Developing properties amounting to KD 4,984,327 as at 31 December 2017 (31 December 2016: KD 493,100) are pledged as securities against Islamic finance payables (note 11).

7. TRADE AND OTHER RECEIVABLES

	2017 KD	2016 KD
Accrued income	153,973	123,250
Deferred rental receivables	229,822	218,811
Prepaid expenses	85,408	67,859
	469,203	409,920

8. CASH AND BANK BALANCES

	2017 KD	2016 KD
Cash on hand and at banks	341,156	209,598
Wekala deposit	402,752	287,182
Escrow Account - FBJ	93,746	1,029,886
	837,654	1,526,666

Wekala deposit carry effective average annual profit rate of 3% (2016: 1.71%).

Restricted cash

The cash and bank balances disclosed above and in the consolidated statement of cash flows include escrow account amounted to KD 93,746 (31 December 2016: KD 1,029,886) which is held by a subsidiary. This balance is subject to regulatory restrictions and is therefore not available for general use by the other entities within the Group.

9. SHARE CAPITAL

The authorised, issued and paid share capital as at 31 December 2017 and 31 December 2016 is KD 23,330,960 consisting of 233,309,600 shares of 100 fils each.

10. STATUTORY RESERVE

As required by the Companies Law no. 1 of 2016, its executive regulations and the Parent Company's memorandum of association, 10% of the profit for the year is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of paid up share capital.

Only that part of the reserve in excess of 50% of paid up share capital is freely distributable. Distribution of the balance of the reserve is limited to the amount required to enable the distribution to shareholders of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the distributions to shareholders of that amount.

During the year, an amount of KD 6,337 (2016: KD 88,569) was transferred to statutory reserve from retained earnings.

11. ISLAMIC FINANCE PAYABLES

Islamic finance payables represent various structures arranged through Islamic banks in the Kingdom of Bahrain. The combined average cost of the financing is 6.78% (2016: 5.25%).

During the year, the Group refinanced the industrial properties of Majaal Warehouse Company W.L.L. with another facility from different Islamic bank in Bahrain amounting to KD 3,635,213 after settling an old facility amounting to KD 2,912,569 with a variable profit rate. The new facility has a lower long term fixed profit rate of 6.08% and extended the repayment of the Islamic finance payable until April 2024.

Islamic finance payables are secured over investment properties and developing properties with a carrying amount of KD 21,078,921 (31 December 2016: KD 19,545,904) (note 5 & 6).

	2017 KD	2016 KD
Opening balance	5,606,809	4,139,687
Proceeds during the year	2,054,896	2,014,839
Repayments	(516,341)	(574,363)
Foreign currency translation differences	(75,907)	26,646
	7,069,457	5,606,809
Long-term Islamic finance payables	6,172,457	4,905,269
Short-term Islamic finance payables	897,000	701,540
	7,069,457	5,606,809

The carrying value of Islamic finance payables (current and non-current) approximates their fair value.

12. TRADE AND OTHER PAYABLES

	2017 KD	2016 KD
Trade payables	1,021,567	366,646
Accrued expenses	99,579	37,882
Retention payable	92,766	-
Due to KFAS and Zakat	1,331	16,932
Board remuneration	-	37,000
	1,215,243	458,460
Long-term trade and other payables	92,766	-
Short-term trade and other payables	1,122,477	458,460
	1,215,243	458,460

13. NET RENTAL INCOME

Rental income is generated from properties developed by wholly owned subsidiaries Majaal Warehouse Company W.L.L. (MWC) and FB Janabiya Residential Development Company W.L.L. (FBJ). MWC operates seven industrial buildings occupied by a diverse mix of small to medium sized enterprises. FBJ is developing a neighbourhood retail centre, branded as El Mercado Janabiya. All of these rental properties are located within the Kingdom of Bahrain.

	2017 KD	2016 KD
(a) Industrial Properties		
Occupancy rate	94%	97%
Total leasable area (square meters)	37,654	37,654
Gross rental revenue	1,166,850	1,139,686
Cost of revenue	(172,930)	(161,771)
Write offs during the year	(7,280)	(30,151)
Net industrial rental income	986,640	947,764
(b) Commercial Properties		
Occupancy rate	100%	100%
Total leasable area (square meters)	4,683	4,683
Gross rental revenue	462,775	366,048
Cost of revenue	(144,077)	(46,506)
Net commercial rental income	318,698	319,542
Total net rental income	1,305,338	1,267,306

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14. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year, as follows:

	2017 KD	2016 KD
Profit for the year	62,042	831,759
Weighted average number of outstanding and paid shares	233,309,600	233,309,600
Basic and diluted earnings per share (fils / share)	0.27	3.57

There are no potential diluted shares.

15. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders that have representation in the Parent Company's Board of Directors and their close relatives, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by Parent Company's management and at an arm's length term.

The related parties' balances and transactions included in the consolidated statement of comprehensive income are as follows:

Significant transactions included in the consolidated statement of comprehensive income	2017 KD	2016 KD
Key management compensation		
Salaries and other short-term benefits	207,385	219,013
Post-employment benefits	11,265	8,143
	218,650	227,156

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16. SEGMENTS INFORMATION

The Board of Directors is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Group is divided into divisions to manage its various activities. For the purposes of segment reporting, the Group's management has classified the Group's services into the following:

- Real estate operations: consisting of trading, developing, leasing and managing real estate and rental of investment properties.
- Non-real estate operations: consisting of investment in various Islamic financial instruments, mainly unquoted funds and Wekala.

There are no inter-segment transactions. The following tables present assets, liabilities, income, and expenses information regarding the Group's operating segments for the years ended 31 December 2017 and 31 December 2016 respectively.

	Real estate activities KD	Non-real estate activities KD	Total KD
Allocated income	1,137,806	13,105	1,150,911
Allocated expenses	(1,088,869)	-	(1,088,869)
Segment results	48,937	13,105	62,042
Assets	36,256,179	406,519	36,662,698
Liabilities	8,368,280	-	8,368,280
Capital expenditure	2,022,096	-	2,022,096
Financial information on reportable segments for the year ended 31 December 2016 is as follows:			
Allocated income	1,817,756	11,258	1,829,014
Allocated expenses	(997,255)	-	(997,255)
Segment results	820,501	11,258	831,759
Assets	35,643,236	291,745	35,934,981
Liabilities	6,136,073	-	6,136,073
Capital expenditure	764,734	-	764,734

17. BOARD OF DIRECTORS REMUNERATION

On 21 March 2018 the Board of Directors proposed not to distribute remuneration for the Parent Company's Board of Directors for the year ended 31 December 2017 (2016: KD 37,000), subject to the approval of the shareholders' general assembly.

18. PROPOSED DIVIDENDS

The board of directors proposed not to distribute dividends for the year ended 31 December 2017 (2016: cash dividend of 5% amounting to 5 fils per share).