BAHRAIN DUTY FREE SHOP COMPLEX BSC

FINANCIAL STATEMENTS

31 DECEMBER 2017

BAHRAIN DUTY FREE SHOP COMPLEX B.S.C.

FINANCIAL STATEMENTS
for the year ended ended 31 December 2017

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BAHRAIN DUTY FREE SHOP COMPLEX B.S.C.

GENERAL INFORMATION

Bahrain Duty Free Shop Complex BSC, a joint stock company governed by the Bahrain Commercial Company Law 2001, was registered under commercial registration number 23509 on 15 July 1990. The company is a 25% shareholding in Bahrain International Airport Development Co. W.L.L.

SHARE CAPITAL

Authorised	: BD 14,227,194 (2016: BD 12,933,813) divided into 142,271,938 shares (2016: BD 129,338,125 shares) of 100 fils each
Issued and fully paid-up	BD 14,227,194 (2016: BD 12,933,813)
BOARD OF DIRECTORS	: Farouk Yousuf Almoayyed (Chairman) : Abdulla Buhindi (Managing Director) : Jalal Mohamed Jalal : Jassim Mohammed Al Shaikh : Shaikh Mohamed bin Ali bin Mohamed Al Khalifa : Jawad Al Hawaj : Nabeel Al Zain : Mohammed Al Khan : Ghassan Al Sabbagh : Jehad Amin : Abdulrahman Jamsheer
INVESTMENT COMMITTEE	: Farouk Yousuf Almoayyed : Abdulla Buhindi : Nabeel Al Zain : Jehad Amin
AUDIT COMMITTEE	: Jawad Al Hawaj : Mohammed Al Khan : Ghassan Al Sabbagh
NOMINATION & REMUNERATION COMMITTEE	: Farouk Yousuf Almoayyed : Abdulla Buhindi : Jalal Mohamed Jalal
MANAGING AGENT	: Aer Rianta International (Middle East) WLL
MANAGEMENT	: Bassam Alwardi — General Manager : Dominic Carroll — Head of Finance : Domnick O'Reilly — Head of Operations : Richard Wilkinson — Head of Purchasing
BOARD SECRETARY	: Sadeq Ismaeel
OFFICES	: Al Barsh'aa Bldg, Bldg No145, Road 2403, Muharraq 224 Telephone 17 723100, Fax 17 725511 : Bahrain International Airport, P.O. Box 1714 Telephone 17 321330, Fax 17 321910

BAHRAIN DUTY FREE SHOP COMPLEX B.S.C.

GENERAL INFORMATION

AUDITORS	: KPMG Fakhro
BANKERS	: Ahli United Bank Bank of Bahrain and Kuwait National Bank of Bahrain Kuwait Finance House National Bank of Kuwait - Bahrain Al Salaam Bank Arab Bank
REGISTRARS	: Bahrain Clear Karvy Computershare WLL
CUSTODIANS	: SICO P.O. Box 1331, Manama, Kingdom of Bahrain

CHAIRMAN'S REPORT

On behalf of the board of directors of Bahrain Duty Free, I am pleased to present the Company's annual report and financial statements for the year end December 31 2017.

I am also pleased to report that Bahrain Duty Free achieved resilient financial results marked by yet another strong performance where our net income reached BD 7.1 million.

Financial Performance
For the full year 2017, the Company reported Gross Revenues of BD 31.9 million representing a growth of 10.8%. Gross Profits climbed to BD 14.9 million giving an increase of 9.9% compared to the previous year. Operating expenses increased by 18.0% during the year and within this the main drivers are depreciation and Royalty costs. Operating profits in 2017 were BD 5.4 million, a growth of 12.7% year on year.

Our investment portfolio consisting of Equities and Properties now totals BD 37.5 million and grew by 16.2% during the year. This growth coming mainly from new acquisitions. The portfolio remains strong and well balanced. Income from all Investment related activities for the year was BD 1.7 million down 52.0% following a one-off dividend received in 2016 on one of our investments. Impairment charges taken in 2017 amounted to BD 211 thousand. Net Profits of BD 7.1 million declined by 14.9% on prior year due to the fall off in investment income. Earnings per share is 50 fils compared with 59 fils for 2016.

At December year end, total shareholder's equity stood at BD 49.9 million a decrease of 1.6% compared to prior year.

Operation Highlights
2017 was a strong but challenging year for the company in terms of operations which saw a reduction in passenger numbers. Despite these challenges which were outside of our control, we achieved sales growth compared to our budgeted and 2016 levels, aided by a number of new initiatives and focus by all teams within the company.

The changes we made to our stores in 2016 were well received by our customers, and this resulted in increases in our Customer Satisfaction Ratings, which saw us speaking to over 4,000 customers to understand how they view us. To compliment this, we continued to carry out our annual independent customer research program which assists the team in developing customer focussed plans aimed at continuing to improve our service levels. This year's excellent double digit growth in sales and operating profits are a testament to the Company's decision in 2016 to make a significant capital investment in renovating the shops at the Airport which included many new brands and initiatives in the Perfumery & Cosmetics area as well as a new Premium Watch boutique all contributing to the overall performance of the shop. Our Shop & Collect offering continues to grow with over ten thousand customers choosing to avail of this service during the year.

It was a big year for the company, and I was proud to see us resume Inflight Duty Free operations with Gulf Air. We will operate the Inflight duty free for the next 3 year period, and will be present during the planned fleet upgrade which is set to commence in 2018.

Bahrain Duty Free Shop Complex BSC

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of Shareholders at the upcoming Annual General Meeting, a full year cash dividend of 0.050 fils per share of which 20 fils per share was already paid during the year. The Board has also recommended Charity Contribution of 2% of net profit.

On behalf of my colleagues on the Board, may I extend my sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, His Royal Highness Prince Khalifa bin Salman Al Khalifa the Prime Minister, His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince & Deputy Supreme Commander for their continuing support.

The Board also extends it appreciation and gratitude for the continuing support of His Highness Shaikh Ali bin Khalifa Al Khalifa, Deputy Prime Minister and His Excellency Kamal bin Ahmed Mohammed Minister of Transportation and Telecommunications.

Thank you to our Shareholders, Stakeholders, Teams and Customers

To our shareholders' I thank you for the continued confidence placed in the Board. I also extend my gratitude to the staff and management of Bahrain Duty Free for their loyalty and support. My sincere thanks also to Bahrain Airport Company and Civil Aviation Authority for their guidance, support and assistance at the airport. I thank also the other concerned bodies whose objectives are to promote and market Bahrain International Airport. A final thank you to all our customers for their continued patronage and for choosing to shop at Bahrain Duty Free.

Looking to the Future

Finally, as we look towards 2018 and beyond, the year saw the management team start planning for the new passenger terminal at Bahrain International Airport. The new terminal, which is scheduled to open in 2019 is one of the largest individual projects undertaken within the Kingdom of Bahrain and I am delighted that we have secured the majority of duty free categories within the terminal and are in the process of seeking to secure other opportunities that are in line with our vision to enable us to pursue our growth and success in the years to come.

Farouk Yousuf Almoayyed
Chairman

20 February 2018

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CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Duty Free Shop Complex BSC
Kingdom of Bahrain

Report on the audit of the financial statements

Opinion
We have audited the accompanying financial statements of Bahrain Duty Free Shop Complex BSC (the "Company") which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Available-for-sale investments (AFS) – BD 25,803,154 (note 7)

Description	***How the matter was addressed in our audit***
A-Valuation and impairment of quoted equity investments at fair value We focused on this area because: ▪ The AFS portfolio of quoted equity make up 27 % of the Company's total assets (by value); and ▪ The Company makes subjective judgments over both timing of recognition of impairment and the estimation of the size of any such impairment.	Our procedures included: ▪ Testing the valuation of the quoted equity investments by agreeing the prices used in the valuation to externally quoted prices; ▪ Evaluating whether management has identified all investments where fair value is below cost; ▪ Evaluating whether Company's application of the significant or prolong test is consistent with the relevant accounting standard; and ▪ Evaluating whether the Company applied the criteria to determine whether a decline in fair value below cost is significant or prolonged.

B-Impairment of unquoted equity investments at cost	
We focused on this area because: ▪ The Company's AFS portfolio of unquoted equity securities make up 13 % of the Company's total assets (by value); and ▪ The Company makes subjective judgments over both timing of recognition of impairment and the estimation of the size of any such impairment.	Our procedures included: ▪ Evaluating the appropriateness of the Company's impairment assessment methodology; ▪ Comparing the carrying value with the net asset value of the investee; and ▪ Assessing the financial performance of the investee.

Impairment of investment property – BD 11,703,410 (note 5)

Description	***How the matter was addressed in our audit***
We focused on this area due to the uncertainty prevalent in the property market and the subjective nature of property impairment assessment.	Our procedures included: ▪ Evaluating the appropriateness of the valuation methodology used by an independent property valuer appointed by the Company; ▪ Comparing the value of each property to the valuation report; and ▪ Assessing the qualification and experience of the independent property valuer.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the 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 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 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 have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements for the year ended 31 December 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Jalil AlAali.

KPMG

KPMG Fakhro
Partner registration number 100
20 February 2018

BAHRAIN DUTY FREE SHOP COMPLEX B.S.C.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

(Bahraini dinars)

	note	2017	2016
ASSETS			
Property and equipment	4	1,713,932	2,094,958
Investment property	5	11,703,410	7,574,959
Investment in associate	6	161,495	178,459
Available-for-sale investments	7	25,803,154	24,703,594
Other assets	8	439,289	4,764,778
Total non-current assets		**39,821,280**	39,316,748
Inventories	9	3,797,629	3,095,073
Trade and other receivables	10	1,936,163	1,792,593
Cash and bank balances	11	11,191,718	12,824,910
Total current assets		**16,925,510**	17,712,576
Total assets		**56,746,790**	57,029,324
EQUITY AND LIABILITIES			
Equity			
Share capital	12	14,227,194	12,933,813
Share premium		1,952,560	1,952,560
Statutory reserve		7,113,597	6,466,906
Charity reserve		738,768	660,453
Investments fair value reserve		6,172,867	7,270,898
Retained earnings		19,745,541	21,486,466
Total equity		**49,950,527**	50,771,096
Liabilities			
Employees' benefits	13	424,590	381,703
Total non-current liabilities		**424,590**	381,703
Trade and other payables	14	3,854,693	3,693,459
Royalty payable	15	2,516,980	2,183,066
Total current liabilities		**6,371,673**	5,876,525
Total liabilities		**6,796,263**	6,258,228
Total equity and liabilities		**56,746,790**	57,029,324

The financial statements, which consists of pages 9 to 40 were approved by the Board of Directors on 20 February 2018 and signed on its behalf by:

Farouk Yousuf Almoayyed
Chairman

Abdulla Buhindi
Board member & Managing Director

The accompanying notes 1 to 27 form an intergral part of these financial statements

BAHRAIN DUTY FREE SHOP COMPLEX B.S.C.

STATEMENT OF PROFIT OR LOSS
for year ended 31 December 2017

	note	2017	2016
Revenue	16	31,975,377	28,859,618
Cost of sales		(16,987,716)	(15,216,329)
Gross profit		**14,987,661**	**13,643,289**
Other income, net	17	2,248,991	1,178,884
Administrative expenses	18	(11,282,200)	(9,504,731)
Selling expenses		(562,930)	(533,610)
Operating profit		**5,391,522**	4,783,832
Interest income		155,497	158,892
Income from available-for-sale investments	19	1,659,002	3,475,598
Income from investment property, net		75,725	158,759
Impairment on available-for-sale investments		(46,362)	(267,550)
Impairment on investment property	5	(164,623)	-
Share of profit from associate	6	20,536	18,781
Profit for the year		**7,091,297**	8,328,312
Basic and diluted earnings per share (in fils)	22	**50**	59

Farouk Yousuf Almoayyed
Chairman

Abdulla Buhindi
Board member & Managing Director

The accompanying notes 1 to 27 form an intergral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
for year ended 31 December 2017 (Bahraini dinars)

	2017	2016
Profit for the year	**7,091,297**	8,328,312
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Net fair value changes on available-for-sale equity securities	(1,137,275)	(424,959)
Transferred to profit or loss on impairment of available-for-sale equity securities	46,362	267,550
Transferred to profit or loss on maturity of available-for-sale debt securities	(7,118)	-
Total other comprehensive income	**(1,098,031)**	(157,409)
Total comprehensive income for the year	**5,993,266**	8,170,903

The accompanying notes 1 to 27 form an integral part of these financial statements

BAHRAIN DUTY FREE SHOP COMPLEX B.S.C.

STATEMENT OF CHANGES IN EQUITY
for year ended 31 December 2017

(Bahraini dinars)

	Equity attributable to equity holders of the parent company						
2017	**Share capital**	**Share Premium**	**Statutory reserve**	**Charity reserve**	**Fair value reserve**	**Retained earnings**	**Total equity**
At 1 January 2017	12,933,813	1,952,560	6,466,906	660,453	7,270,898	21,486,466	50,771,096
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	7,091,297	7,091,297
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss							
Net fair value changes on available-for-sale securities	-	-	-	-	(1,137,275)	-	(1,137,275)
Transferred to profit or loss on impairment of available-for-sale equity securities	-	-	-	-	46,362	-	46,362
Transferred to profit or loss on maturity of available- for- sale debt securities	-	-	-	-	(7,118)	-	(7,118)
Total other comprehensive income	***-***	***-***	***-***	***-***	***(1,098,031)***	***-***	***(1,098,031)***
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(1,098,031)**	**7,091,297**	**5,993,266**
Bonus shares issued	1,293,381	-	-	-	-	(1,293,381)	-
Transfer to statutory reserve	-	-	646,691	-	-	(646,691)	-
Final dividend declared for 2016	-	-	-	-	-	(3,880,145)	(3,880,145)
Interim dividend paid for 2017	-	-	-	-	-	(2,845,439)	(2,845,439)
Charity utilised during 2017	-	-	-	(88,251)	-	-	(88,251)
Charity contributions approved for 2017	-	-	-	166,566	-	(166,566)	-
At 31 December 2017	**14,227,194**	**1,952,560**	**7,113,597**	**738,768**	**6,172,867**	**19,745,541**	**49,950,527**

The accompanying notes 1 to 27 form an integral part of these financial statements

BAHRAIN DUTY FREE SHOP COMPLEX B.S.C.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017 *(continued)* (Bahraini dinars)

2016	Equity attributable to equity holders of the parent company							NCI	Total equity
	Share capital	Share Premium	Statutory reserve	Charity reserve	Fair value reserve	Retained earnings	Total		
At 1 January 2016	11,758,012	1,952,560	5,891,006	598,107	7,428,307	21,203,072	48,831,064	14,897	48,845,961
Comprehensive income for the year									
Profit for the year	-	-	-	-	-	8,328,312	8,328,312	-	8,328,312
Other comprehensive income									
Items that are or may be reclassified subsequently to profit or loss									
Net fair value changes on available-for-sale securities	-	-	-	-	(424,959)	-	(424,959)	-	(424,959)
Transferred to profit or loss on sale of available- for- sale equity securities	-	-	-	-	267,550	-	267,550	-	267,550
Total other comprehensive income	-	-	-	-	(157,409)	-	(157,409)	-	(157,409)
Total comprehensive income for the year (page 9)	-	-	-	-	(157,409)	8,328,312	8,170,903	-	8,170,903
Liquidation of subsidiary	-	-	-	-	-	-	-	(14,897)	(14,897)
Bonus shares issued	1,175,801	-	-	-	-	(1,175,801)	-	-	-
Transfer to statutory reserve	-	-	575,900	-	-	(575,900)	-	-	-
Final dividend declared for 2015	-	-	-	-	-	(3,527,404)	(3,527,404)	-	(3,527,404)
Interim dividend paid for 2016	-	-	-	-	-	(2,586,762)	(2,586,762)	-	(2,586,762)
Charity utilised during 2016	-	-	-	(116,705)	-	-	(116,705)	-	(116,705)
Charity contributions approved for 2016	-	-	-	179,051	-	(179,051)	-	-	-
At 31 December 2016	12,933,813	1,952,560	6,466,906	660,453	7,270,898	21,486,466	50,771,096	-	50,771,096

The accompanying notes 1 to 27 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
for year ended 31 December 2017 (Bahraini dinars)

	note	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from customers		30,396,982	27,004,831
Receipts from car promotions		654,007	737,093
Other receipts		2,902,798	2,234,683
		33,953,787	29,976,607
Payments for purchases		(17,177,773)	(16,677,028)
Payments for other operating expenses		(5,476,098)	(3,305,028)
Payments for management fees		(899,493)	(594,183)
Payments for royalty	15	(4,600,115)	(3,688,756)
Car promotion expenses		(337,245)	(321,696)
Directors' remuneration paid		(88,300)	(79,700)
Payment to charities		(88,251)	(116,705)
		(28,667,275)	(24,783,096)
Net cash from operating activities		**5,286,512**	5,193,511
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of advances provided		-	1,229,370
Interest received		263,333	307,443
Dividend income received		1,672,315	2,942,494
Rental income received from investment property - net		246,680	158,759
Dividends received from associate		37,500	37,500
Acquisition of property and equipment		(473,057)	(593,896)
Acquisition of investment property		(260,933)	(4,502,711)
Bank deposit		(3,966,388)	(517,656)
Cash paid to non-controlling interest		-	(14,897)
Advance of available-for-sale investments		(439,289)	-
Acquisition of available-for-sale investments		(1,613,699)	(1,116,044)
Net cash used in investing activities		**(4,533,538)**	(2,069,638)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(6,546,958)	(5,761,970)
Net cash used in financing activities		**(6,546,958)**	(5,761,970)
Net decrease in cash and cash equivalents during the year		(5,793,984)	(2,638,097)
Cash and cash equivalents at 1 January		8,435,820	11,073,917
Cash and cash equivalents at 31 December	11	**2,641,836**	8,435,820

The accompanying notes 1 to 27 form an integral part of these financial statements

1 REPORTING ENTITY

Bahrain Duty Free Shop Complex BSC (the "Company") is a Bahrain Joint Stock Company registered under commercial registration number 23509 on 15 July 1990 and listed on the Bahrain Bourse. The Company operates shops within Bahrain International Airport, Khalifa Port and Gulf Air Inflight.

The Company owns a 25% interest in Bahrain International Airport Development Company (BIADCO) (2016: 25%).

2 BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in conformity with the Bahrain Commercial Companies Law, 2001.

b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for available-for-sale investments which are stated at fair value.

c) Functional and presentation currency

These financial statements are presented in Bahraini Dinar, which is also the Company's functional currency. Unless otherwise stated, all financial information presented has been rounded off to the nearest Dinar.

d) Use of estimates and judgments

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

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

(i) Impairment of inventories

The Company reviews the carrying amounts of inventory at each reporting date to determine whether the inventories have been impaired. The Company identifies the inventories which have been impaired based on the age of the inventory and their estimate of the future demand for the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience relating to disposal of such inventory.

2 BASIS OF PREPARATION (continued)

Use of estimates and judgements (continued)

(ii) Impairment of receivables

The Company reviews the carrying amounts of receivables at each reporting date to determine whether the receivables have been impaired. The Company identifies the receivables which have been impaired based on the financial condition of the counterparty and estimated future cash flows. If any impairment exists, the recoverable amount of the impaired receivable is estimated based on the future cash flows estimated.

(iii) Impairment of available-for-sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. The Company considers that a 30% decline in the value of investments as compared to its cost as a significant reduction and that a period of nine months as prolonged. Where fair values are not readily available, the investments are carried at cost, less impairment. The recoverable amount of such investment is estimated to test for impairment. In making this judgment, the Company evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

(iv) Impairment of investment property

The Company conducts impairment assessment of investment property on an annual basis using external independent property valuers to value the property. The fair value is determined based on the market value of the property by sales comparison approach and/or income capitalization method to assess the market value considering its current physical condition.

(v) Useful life and residual value of investment property, property and equipment

The Company reviews the useful life and residual value of the property and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on similar assets of the industry, and future economic benefit expectations of the management.

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

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

i. Disclosure Initiative (Amendments to IAS 7)

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

The amendments are effective for annual periods beginning on or after 1 January 2017 on a prospective basis. The Company does not have a significant impact on its financial statements.

2 BASIS OF PREPARATION (continued)

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

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

- IFRS 12 Disclosure of Interests in Other Entities – The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Effective retrospectively for annual periods beginning on or after 1 January 2017.

- IAS 28 Investments in Associates and Joint Ventures – A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

  A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

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

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

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

i. IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. There will not be a significant impact on the Company's financial statements from adoption of this standard.

ii. IFRS 9 Financial Instruments

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

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

2 BASIS OF PREPARATION (continued)

The Company will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The adoption of IFRS 9 is expected to result in certain differences in the classification of financial assets when compared to our classification under IAS 39. The changes include equity securities of BD 22,723 thousands previously classified as AFS to be classified as FVOCI, debt securities of BD 2,622 thousands previously classified as AFS to be classified as amortised cost and funds of BD 458 thousands previously classified as AFS to be classified as at FVTPL. Based on current estimates, the adoption of IFRS 9 will not have a material impact on the financial statements.

iii. IFRS 16 Leases

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

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Company has started an initial assessment of the potential impact on its financial statements. The Company has not yet decided whether it will use the optional exemptions.

g) Early adoption of standards

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

a) Investment in Associates

Associates are those entities in which the Company has a significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using equity-method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate. Dividend received from associates is recognised as a reduction in the carrying amount of the investment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency translation

The transactions in foreign currencies are translated into the functional currency at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into functional currency at exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the re-translation of available-for-sale equity investments which are recognised in other comprehensive income.

c) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The cost of inventory is based on the weighted average basis. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

d) Investment property

Investment properties are those which are held by the Company to earn rental income or for capital appreciation or both. Investment properties are carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the cost of the investment property over their estimated useful lives of 20-40 years. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from the disposal and the carrying amount of the property) is recognized in profit or loss in the period in which it arises. Land is not depreciated.

e) Property and equipment

(i) Owned assets
Items of property and equipment held for use in the provision of service or for administrative purposes on a continuing basis and not intended for sale in the ordinary course of business are carried at cost less accumulated depreciation and impairment losses, if any.

(ii) Subsequent expenditure
Subsequent costs are included in the assets carrying amount or are recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the component will flow to the Company and the cost of the component can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Depreciation
Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the cost of the items of property and equipment over the following estimated useful lives:

Categories	Estimated used life in years
Leasehold buildings	25
Leasehold improvements	10
Furniture and fixtures	5
Computer, other equipment and vehicles	5

The assets residual values and useful lives are reviewed and revised if appropriate at each reporting date. All depreciation is charged to the profit or loss. When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed and any resultant gain or loss is taken to the profit or loss.

The estimated useful working lives of the assets are periodically reviewed by the management.

f) Financial instruments

(i) Classification
Financial assets
The Company classifies its financial assets in the following categories;
- Loans and receivables; and
- Available-for-sale investments

Available-for-sale investments are non-derivative financial assets, that are designated as available-for-sale or are not classified into any of the other categories of IAS 39 and management intends to hold them for the medium to long-term period.

Financial liabilities
The Company classifies its financial liabilities into “others at amortised cost”

(ii) Recognition
The Company initially recognises loans and receivables on the date on which they originate. All other financial assets and financial liabilities are initially recognized on the trade date, the date on which the Company becomes party to the contractual provisions of the instrument.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Measurement

A non-derivative financial asset is recognized initially at fair value, plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition. Available-for-sale financial assets are subsequently carried at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income.

A non-derivative financial liability is recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the liabilities are measured at amortised cost using the effective interest method.

(v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

(vi) Amortised cost measurement

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

g) Employee benefits

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

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

h) Provisions

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment

(i) Non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in the profit or loss.

(i) Financial assets

Assets classified as available-for-sale

If there is an objective evidence of impairment for available-for-sale financial assets, the cumulative loss recognized is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in profit and loss. A significant or a prolonged decline in the fair value of equity security is an objective evidence of impairment.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

Where fair values are not readily available, the investments are carried at cost, less impairment. The recoverable amount of such investment is estimated to test for impairment. In making this judgment, the Company evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Financial assets carried at amortised cost

Impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss.

j) Statutory reserve

In accordance with Bahrain Commercial Companies Law 2001, the Company is required to appropriate 10 percent of the net profit to a statutory reserve, which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50% of the share capital.

k) Dividends

Dividends are recognised as a liability in the period in which they are declared.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and discounts. The Company recognised revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as disclosed below:

(i) Revenue –from sale of goods is recognised when the buyer takes custody of the goods.

(ii) Commissions – if the Company acts in the capacity of an agent rather than as the principal in transaction, then revenue recognised is the net amount of commission made by the Company.

(iii) Advertisement income - is recognized from suppliers for advertising their products in the premises operated by the Company over the period of the contracts.

(iv) Interest income – on bank deposits is recognised on effective interest rate basis.

(v) Dividend income – is recognized when the right to receive the dividend is established.

(vi) Rental income – from investment property is recognised on a straight line basis over the term of the lease.

m) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost.

(Bahraini dinars)

4 PROPERTY AND EQUIPMENT

	Leashold buildings	Leashold improvements	Furnitures and Fixtures	Computer, other equipment & vehicles	Capital work in progress	Total
Cost						
1 January 2017	1,515,759	1,921,064	264,365	978,872	571,255	5,251,315
Additions	-	-	-	-	594,516	594,516
Transfers	-	925,806	16,426	128,994	(1,071,226)	-
Disposals / write-off	-	(29,769)	(47,478)	(94,845)	(48,865)	(220,957)
31 December 2017	**1,515,759**	**2,817,101**	**233,313**	**1,013,021**	**45,680**	**5,624,874**
Depreciation						
1 January 2017	(1,004,097)	(1,225,595)	(227,209)	(699,456)	-	(3,156,357)
Charge for the year	(170,554)	(504,701)	(17,701)	(151,905)	-	(844,861)
Disposals / write-off		3,531	32,400	54,345	-	90,276
31 December 2017	**(1,174,651)**	**(1,726,765)**	**(212,510)**	**(797,016)**	**-**	**(3,910,942)**
Net book value at 31 December 2017	**341,108**	**1,090,336**	**20,803**	**216,005**	**45,680**	**1,713,932**

4 PROPERTY AND EQUIPMENT (continued)

	Leashold buildings	Leashold improvements	Furnitures and Fixtures	Computer, other equipment & vehicles	Capital work in progress	Total
Cost						
1 January 2016	1,515,759	1,921,064	270,879	963,113	14,201	4,685,016
Additions	-	-	867	36,360	571,256	608,483
Disposals / write-off	-	-	(7,381)	(20,601)	(14,202)	(42,184)
31 December 2016	1,515,759	1,921,064	264,365	978,872	571,255	5,251,315
Depreciation						-
1 January 2016	(851,910)	(996,106)	(209,917)	(558,487)	-	(2,616,420)
Charge for the year	(152,187)	(229,489)	(24,287)	(161,570)	-	(567,533)
Disposals / write-off	-	-	6,995	20,601	-	27,596
31 December 2016	(1,004,097)	(1,225,595)	(227,209)	(699,456)	-	(3,156,357)
Net book value at 31 December 2016	511,662	695,469	37,156	279,416	571,255	2,094,958

Properties used by the Company

Property	**Address**	**Area**	**Existing use**	**Tenure**	**Average age of property**	**Present carrying value**
Shop building	Bahrain Airport	3,300 sq. mtr.	Business	25 years lease agreement	25 years	341,108

5 INVESTMENT PROPERTY

	2017	2016
At 1 January	7,574,959	4,243,049
Additions during the year (note 8)	4,559,604	3,391,918
Depreciation for the year	(266,530)	(60,008)
Impairment during the year	(164,623)	-
At 31 December	**11,703,410**	7,574,959

Investment property comprises freehold plots of vacant land, office property and residential property leased to third parties. During the year, advances paid for a residential investment property of BD 4,364,778 were transferred from other assets to investment property (note 8). Residential properties include furniture & fixtures with net book value of BD 178 thousand.

The fair value of investment property was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Company's investment property once a year.

The fair value of land plots was determined using sales comparison approach. The key inputs under this approach are the price per square meter from current year sales of comparable plots of land. Accordingly, the fair value has been categorised as level 2 in the fair value hierarchy.

The fair value of the office building was determined using the average of sales comparison approach and income capitalisation approach. The fair value has been categorised as level 3 in the fair value hierarchy.

The fair value of the residential property was determined using the sales comparison approach. The fair value has been categorised as level 2 in the fair value heirarchy.

6 INVESTMENT IN ASSOCIATE

	2017	2016
As at 1 January	178,459	197,178
Dividend received	(37,500)	(37,500)
Share of profit for the year	20,536	18,781
At 31 December	**161,495**	178,459

6 INVESTMENT IN ASSOCIATE (continued)

Details of the associate at the end of the reporting period are as follows:

Name of the entity	Place of business/country of incorporation	Portion of ownership	Principal activities	Nature of Relationship
Bahrain International Airport Development Company (BIADCO)	Bahrain	25%	Providing warehouse facilities at the airport	The Company rents warehouse space from BIADCO

The following table summarizes the financial position of BIADCO as included in its own financial statetments (management accounts) unadjusted for the Company's share:

	2017	2016
Current assets	150,833	187,945
Non-current assets	408,789	480,726
Current liabilities	(119,559)	(153,308)
Net assets	**440,063**	**515,363**
Company's share of net assets (25%)	110,016	128,841
Goodwill	49,619	49,619
Carrying amount of interest in associate	**161,495**	**178,459**
Revenue	360,012	345,356
Total comprehensive income	74,699	75,126
Adjustment for previous year	7,444	-
Company's share of total comprehensive income (25%)	**20,536**	**18,781**

7 AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
Quoted equity securities at fair value	15,135,590	16,131,073
Unquoted equity securities at cost less impairment	7,587,918	6,084,345
Quoted debt securities at fair value	2,622,000	2,219,030
Unquoted funds at fair value	457,646	269,146
	25,803,154	24,703,594

The fair values are determined based on market price as at 31 December 2017.

The Company's investment in unquoted equity shares amounting to BD 7,587,918 (2016: BD 6,084,345) are carried at cost less impairment allowances, if any, as these are not quoted and no other appropriate methods are readily available from which to derive a reliable fair value. For unquoted equity investments, the exit strategy is via a trade sale or initial public offering.

8 OTHER ASSETS

	2017	2016
Advance for investment property	-	4,364,778
Advance for unquoted equity investment	439,289	400,000
	439,289	4,764,778

Advance for investment property of BD 4,364,778 was transferred during the year to investment property (note 5).

9 INVENTORIES

	2017	2016
Inventories on hand	3,896,284	3,141,449
Less: Impairment allowance	(98,655)	(46,376)
	3,797,629	3,095,073

Movement on impairment allowance on inventories:

	2017	2016
At 1 January	46,376	39,496
Charge during the year	52,279	6,880
At 31 December	**98,655**	46,376

10 TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	412,656	280,857
Prepayments	253,647	213,060
Related party receivable (note 20)	417,450	274,663
Other receivables	852,410	1,024,231
	1,936,163	1,792,811
Less: Impairment allowance	-	(218)
	1,936,163	1,792,593

11 CASH AND BANK BALANCES

	2017	2016
Bank deposits	9,563,007	4,389,090
Bank balances	1,522,381	8,359,485
Cash in hand	106,330	76,335
Cash and bank balances in the statement of financial position	**11,191,718**	12,824,910
Bank deposits with original maturity more than 3 months	(8,549,882)	(4,389,090)
Cash and cash equivalents in the statement of cash flows	**2,641,836**	8,435,820

12 SHARE CAPITAL

	2017	2016
Authorised share capital / issued and fully paid up		
142,271,938 (2016: 129,338,125) share of 100 fils each	**14,227,194**	12,933,813

(i) Names and nationalities of the major equity holders and the number of equity shares held:

Name	Nationality	Number of shares	Share holding %
Global Express	Bahraini	11,514,453	8.1%
Esterad Investment Company B.S.C	Bahraini	10,008,000	7.0%
Yousif Abdulla Amin	Bahraini	8,960,221	6.3%
Rouben stores	Bahraini	6,908,217	4.9%
Farooq Yusuf Khalil Almoayyed	Bahraini	6,728,526	4.7%

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

(iii) The following is a distribution schedule of equity shares setting out the number of holders:

Categories*	Number of shares	Number of equity holders	% of total issued shares
Less than 1%	36,745,399	550	26%
1% up to less than 5%	75,043,865	28	53%
5% up to less than 10%	30,482,674	3	21%
	142,271,938	**581**	**100%**

*Expressed as a percentage of total issued and fully paid shares of the Company.

(iv) Total number of shares owned by the directors of the Company as at 31 December 2017 was 14,113,063 shares (2016: 12,701,756 shares).

13 EMPLOYEE BENEFITS

	2017	2016
At 1 January	381,703	405,559
Charge for the year	110,961	77,907
Paid during the year	(68,074)	(101,763)
At 31 December	**424,590**	381,703

14 TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	1,126,531	1,265,605
Related parties payable (note 20)	1,160,703	830,071
Unclaimed dividends	771,895	593,268
Other payables	795,564	1,004,515
	3,854,693	3,693,459

15 ROYALTY PAYABLE

As per the operating agreement with the Government of Bahrain, the Company is required to pay royalty calculated as a percentage of profit to the Bahrain International Airport Company BSC (c), a company owned by the Government of Bahrain.

	2017	2016
At 1 January	2,183,066	2,241,954
Charge for the year	4,934,029	3,629,869
Paid during the year	(4,600,115)	(3,688,757)
At 31 December	**2,516,980**	2,183,066

16 REVENUE

	2017	2016
Sales of goods	30,976,725	28,004,974
Commissions	998,652	854,644
	31,975,377	28,859,618

17 OTHER INCOME

	2017	2016
Advertising income	710,566	522,912
Beauty advisors income	696,295	478,767
Foreign exchange gain / (loss)	363,336	(359,053)
Other income	478,794	536,258
	2,248,991	1,178,884

18 ADMINISTRATIVE EXPENSES

	2017	2016
Salaries and related costs	3,520,829	3,476,609
Royalty	4,934,029	3,629,869
Management fees	803,167	694,433
Depreciation	844,860	567,532
IT expenses	154,145	161,328
Directors remuneration	100,302	106,100
Utilities	477,286	398,760
Other expenses	447,582	470,100
	11,282,200	9,504,731

Management fee relates to amounts payable to AerRianta International Middle East W.L.L. for the management and operational support services based on a management agreement.

19 INCOME FROM AVAILABLE-FOR-SALE-INVESTMENTS

	2017	2016
Dividend income from equity securities	1,509,523	3,342,174
Loss on maturity of debt security	(7,540)	-
Interest income on bonds	157,019	133,424
	1,659,002	3,475,598

20 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors, the management company and key management personnel of the Company. Transactions with related parties are at agreed terms.

The significant related party balances and transactions (excluding compensation to key management personnel) included in these financial statements are as follows:

Description	**Associates**	**Management Company**	**Shareholders / entities in which directors are interested**	**Total**
As at 31 December 2017				
Assets				
Receivables	-	348,288	69,162	417,450
Liabilities				
Management fee payable	-	413,001	-	413,001
Trade payable	-	611,906	135,796	747,702
For the year ended 31 December 2017				
Income				
Share of profits	20,535	-	-	20,535
Commission	-	-	298,987	298,987
Dividends	37,500	-	-	37,500
Expenses				
Purchases	-	8,670,863	361,407	9,032,270
Rental expense	105,771	-	-	105,771
Management fees	-	804,172	-	804,172
Other expenses	-	126,000	-	126,000

Description	Associates	Management Company	Shareholders / entities in which directors are interested	Total
As at 31 December 2016				
Assets				
Receivables	-	274,663	5,500	280,163
Liabilities				
Management fee payable	-	172,507	-	172,507
Trade payable	-	830,071	-	830,071
For the year ended 31 December 2016				
Income				
Share of profits	18,782	-	-	18,782
Commission	-	-	242,754	242,754
Other income	-	-	18,385	18,385
Dividends	37,500	-	-	37,500
Expenses				
Purchases	-	7,184,636	-	7,184,636
Rental expense	102,205	-	-	102,205
Management fees	-	694,433	-	694,433
Other expenses	-	126,000	-	126,000

20 RELATED PARTY TRANSACTIONS (continued)

b) Key management compensation

Key management personnel of the Company comprise of the Board of Directors, management company and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	2017	2016
Board remuneration	**100,302**	106,100
Short-term benefits	**272,551**	349,024
Post-employment benefits for the year	**8,054**	8,456
Post-employment benefits payable	**23,814**	19,461

21 APPROPRIATIONS

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

	2017	2016
Interim dividends - 20 fils per share	2,845,439	2,586,762
Final cash dividend proposed - 30 fils per share	4,268,158	3,880,145
Bonus share issue - 10 %	-	1,293,381
Charity contribution	141,826	166,566

22 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company of BD 7,113,456 (2016: BD 8,328,312) by the weighted number of ordinary shares as of 31 December 2017.

	Basic & Diluted	
	2017	2016
Profit for the year	**7,091,297**	8,328,312
Weighted average number of shares	**142,271,938**	142,271,938
Earnings per share (fils)	**49.8**	58.5

23 SEGMENTAL INFORMATION

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment) or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company primarily operates Duty free shops at Bahrain International Airport, Hidd port and Gulf Air Inflight. The revenue, expenses and results are reviewed only at a Company level and therefore no separate operating segment results and other disclosures are provided in these financial statements.

24 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established an executive management committee, which assist the Board of Directors in effectively discharging their responsibilities for developing and monitoring the Company's risk management policies.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management procedures and reviews the adequacy of the risk management practices in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

a) Credit risk

Credit risk is the risk that a customer or a counter party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company is exposed to credit risk primarily on its cash and cash equivalents, receivables and investment in debt instruments and structured notes.

The Company's credit risk on cash and cash equivalents is limited as these are placed with banks in Bahrain having investment grade credit ratings.

The Company manages its credit risk on accounts receivables by restricting its credit sales only through major credit cards and ensuring that the sales to related parties are as per the internal policies established for transactions with the related parties. Since the Company is involved in 'over-the-counter' retail sales there is no significant geographical or customer type concentration of credit risk involved in accounts receivable balances.

The Company perceives that the account receivable balances are of good credit quality as these are primarily receivable from:

- vendors where the Company has net payable balances
- well established credit card companies
- related parties with good financial position

24 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

The Company establishes provision for impairment of accounts receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired.

The Company manages credit risk on its investments by ensuring that investments are made only after careful credit evaluation. The Company limits its exposure to credit risk by mainly investing in debt instruments promoted by established banks or financial institutions. The Company has an investment committee comprising of four board members, which is responsible for all investment related decisions. Before investing in any new securities the proposal is first placed with the investment committee for its approval. The Investment committee approves the proposal after considering all merits and demerits of the proposal.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	2016
Bank balances	11,191,718	12,824,910
Available-for-sale-investments - debt securities	2,622,000	2,219,030
Trade and other receivables	1,265,066	1,304,870
Related party receivables	417,450	274,663
	15,496,234	16,623,473

The maximum exposure to credit risk at the reporting date based on geographical concentration was:

	2017	2015
Bahrain	11,849,583	10,447,327
Middle East	205,738	395,174
Others	2,608,589	5,780,973
	15,496,234	16,623,473

The ageing of receivables at the reporting date was:

	2017		2016	
	Gross	**Impairment**	Gross	Impairment
Neither past due nor impaired	**920,160**	**-**	1,334,146	-
Past due 0-90 days	**472,804**	**-**	184,593	-
Past due 91-180 days	**235,967**	**-**	60,576	-
More than 180 days	**53,585**	**-**	218	218
	1,682,516	**-**	1,579,533	218

24 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company ensures that a significant amount of the funds are invested in cash and cash equivalents, which are readily available to meet liquidity requirements.

All financial liabilities are non-interest bearing and are payable within six months.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Company incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's short-term bank deposits are at fixed interest rates and mature within 180 days. The Company is not subject to significant interest rate risk sensitivity.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has exposure to currency risk on its purchases invoiced in foreign currency, on credit card sales in foreign currency and on its certain investment in foreign currency. Predominantly, the purchase of products is from local suppliers. The majority of the foreign currency purchases are in US dollars and Euros. The US dollar is pegged against the Bahraini dinar and therefore the Company is not exposed to any significant risk.

The Company's net exposure to significant currency risk in the functional currency at the reporting date was:

	2017	2016
USD	1,446,433	4,608,268
DHS	121,561	-
EURO	68,003	1,323,541
GBP	3,653,061	6,636,048
CHF	42,493	-
	5,331,551	12,567,857

24 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

c) Market risk (continued)

(ii) Currency risk (continued)

The Company does not perceive that fluctuations in foreign exchange rates will have any significant impact on the income or equity because the exposure to currencies other than US dollar, which is pegged to Bahraini dinars, is not significant. GBP includes investment of BD 3,591,600 (2016: BD 3,591,600) carried at cost and therefore, the impact if any, would be only on sale of the investment.

A one percent increase in the exchange rates at the reporting date will cause a variation by BD 17,400 (2016: 18,733) in the profit or loss and equity. The analysis is performed on the same basis for 2016.

	2017	2016
USD	14,464	10,038
DHS	1,216	2,318
EURO	680	3,531
GBP	615	30,612
CHF	425	3,219
	17,400	49,718

(iii) Equity price risk

The Company's quoted equity investments are listed on Bahrain Stock Exchange ("BSE"), Kuwait Stock Exchange ("KSE"), Kingdom of Saudi Stock exchange ("Tadawul") and Qatar Stock exchange (QE). A one percent increase in the equity prices at the reporting date will cause a variation of equity by BD 151,356 (2016: BD 31,124) in the equity. The analysis is performed on the same basis for 2016.

d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Company defines as total shareholders' equity and the level of dividends to shareholders. The Board seeks to maintain a balance between the higher returns and growth that might be possible by a sound capital position. There were no significant changes in the Company's approach to capital management during the year.

24 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

e) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

No fair value disclosures are provided for equity investment securities of BD 7,588 thousand (2016: BD 6,084 thousands) that are measured at cost because their fair value cannot be reliably measured.

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(i) Financial instruments measured at fair value

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	15,135,590	-	-	**15,135,590**
Debt instruments	-	2,622,000	-	**2,622,000**
Funds	-	457,646	-	**457,646**

2016	Level 1	Level 2	Level 3	Total
Equity securities	16,131,073	-	-	16,131,073
Debt instruments	-	2,219,030	-	2,219,030
Funds	-	269,146	-	269,146

(ii) Assets not measured at fair value where fair value is disclosed

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment property	-	6,848,000	4,667,663	**11,515,663**

2016	Level 1	Level 2	Level 3	Total
Investment property	-	3,171,545	4,922,773	8,094,318

The carrying value of the Company's other financial assets and financial liabilities approximates the fair value due to their short-term nature.

24 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

f) Categorization of financial instruments

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

2017	**Loans and receivables**	**Available-for-sale investments**	**Others at amortised cost**	**Total carrying amount**
Available-for-sale-investments	-	25,803,154	-	25,803,154
Trade and other receivables	1,936,163	-	-	1,936,163
Other assets	439,289	-	-	439,289
Cash and bank balances	11,191,718	-	-	11,191,718
	13,567,170	**25,803,154**	**-**	**39,370,324**
Trade and other payables	-	-	3,854,693	3,854,693
Royalty payable	-	-	2,516,980	2,516,980
	-	**-**	**6,371,673**	**6,371,673**

2016	Loans and receivables	Available-for-sale investments	Others at amortised cost	Total carrying amount
Available-for-sale-investments	-	24,703,594	-	24,703,594
Trade and other receivables	1,792,593	-	-	1,792,593
Other assets	4,764,778	-	-	4,764,778
Cash and bank balances	12,824,910	-	-	12,824,910
	19,382,281	24,703,594	-	44,085,875
Trade and other payables	-	-	3,693,459	3,693,459
Royalty payable	-	-	2,183,066	2,183,066
	-	-	5,876,525	5,876,525

25 CONTINGENCIES AND COMMITMENTS

	2017	2016
Uncalled face value in unquoted equity investments	2,295,371	256,398
Property and equipment	269,619	270,671
Guarantees	59,782	17,675
	2,624,772	544,744

26 COMPARATIVES

The comparative figures have been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping does not affect the previously reported profit and total comprehensive income for the year or total equity.

27 SUBSEQUENT EVENTS

Subsequent to the year-end, the Company entered into an agreement with Gulf Air Company Holding to establish a new entity - Bahrain Duty Free Company (“BDFC”) with the Company holding 55% stake in BDFC. BDFC has signed an initial agreement on 29 January 2018 with Bahrain Airport Company for the right to operate the core categories in the new terminal at Bahrain International Airport which is currently under construction.

No estimate can be made of the financial effect of the Company as of the date of issuance.