National Hotels Company B.S.C.

REPORT OF THE BOARD OF DIRECTORS, INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS AND FINANCIAL STATEMENTS

31 DECEMBER 2017

Building a better
working world

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL HOTELS COMPANY B.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of National Hotels Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL HOTELS COMPANY B.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Valuation of freehold land carried at revalued amount Refer to Note 7 to the financial statements	
Key audit matter / risk	**How the key audit matter was addressed in the audit**
The freehold land represents a significant part of the total assets (36%) of the Company and is accounted for at its fair value of BD 31,774,218 as of 31 December 2017. The valuation was carried out by an independent external appraiser engaged by the Company. Valuation of freehold land was significant to our audit due to its magnitude and complexity and it is highly dependent on a range of estimates that require significant management judgment as disclosed in Note 5 to the financial statements.	Our procedures in relation to the fair value assessment of freehold land included, among others: • Evaluation of the independent external appraiser's objectivity, independence and expertise; and • Assessment of the methodology, key assumptions and methods used by management and external appraiser in the valuation process. We also evaluated the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions in Note 7 to the financial statements.

Other information included in the Company's 2017 annual report

Other information consists of the information included in the Company's 2017 Annual Report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Chairman's Report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

Building a better
working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL HOTELS COMPANY B.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Other information included in the Company's 2017 annual report (continued)

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

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

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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.

Auditor's 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL HOTELS COMPANY B.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

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

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

EY
Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL HOTELS COMPANY B.S.C. (continued)

Report on other legal and regulatory requirements

We report that:

a) as required by the Bahrain Commercial Companies Law:

  i. the Company has maintained proper accounting records and the financial statements are in agreement therewith;

  ii. the financial information contained in the Chairman's Report is consistent with the financial statements; and

  iii. satisfactory explanations and information have been provided to us by Management in response to all our requests; and

b) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2017 that might have had a material adverse effect on the business of the Company or on its financial position.

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

Ernst + Young

Partner's Registration No. 115
15 February 2018
Manama, Kingdom of Bahrain

National Hotels Company B.S.C.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 BD	2016 BD
ASSETS			
Non-current assets			
Property, plant and equipment	7	70,621,555	70,818,396
Investment in an associate	8	7,709,859	7,571,085
Available-for-sale investments	9	4,458,312	4,857,136
Total non-current assets		82,789,726	83,246,617
Current assets			
Inventories	10	90,846	81,203
Held-for-trading investments	11	44,233	40,926
Trade and other receivables	12	1,027,929	579,092
Bank balances and cash	13	3,188,049	4,815,631
Total current assets		4,351,057	5,516,852
TOTAL ASSETS		87,140,783	88,763,469
EQUITY AND LIABILITIES			
Equity			
Share capital	14	11,025,000	11,025,000
Treasury shares	15	(94,726)	(94,726)
Statutory reserve	16	5,512,500	5,512,500
General reserve	17	2,190,079	2,190,079
Revaluation reserve	18	31,206,911	31,206,911
Available-for-sale investments reserve		1,848,283	2,273,944
Retained earnings		30,368,180	29,282,547
Proposed dividend	19	1,091,747	1,310,097
Total equity		83,147,974	82,706,352
Non-current liabilities			
Employees' end of service benefits	20	431,406	415,376
Term loan	21	-	1,243,215
Total non-current liabilities		431,406	1,658,591
Current liabilities			
Trade and other payables	22	2,318,188	1,912,090
Current portion of term loan	21	1,243,215	2,486,436
Total current liabilities		3,561,403	4,398,526
Total liabilities		3,992,809	6,057,117
TOTAL EQUITY AND LIABILITIES		87,140,783	88,763,469

Faisal Ahmed Al Zayani
Chairman

Ayad Abdulla Ahmed Al Sumait
Vice Chairman and Managing Director

The attached notes 1 to 36 form part of these financial statements.

National Hotels Company B.S.C.

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 BD	2016 BD
Gross operating revenue	23	**7,360,650**	8,806,010
Gross operating costs	24	**(4,787,438)**	(4,989,587)
GROSS OPERATING PROFIT		**2,573,212**	3,816,423
Net investment income:			
Share of profit from an associate	8	**1,665,611**	2,113,407
Dividend income		**168,700**	169,015
Interest income		**161,985**	80,346
Net changes in cumulative fair value of held-for-trading investments		**3,307**	(2,005)
		1,999,603	2,360,763
Miscellaneous income	25	**395,562**	244,854
Depreciation	7	**(2,048,050)**	(2,023,994)
General and administration expenses		**(580,674)**	(643,733)
Financial charges		**(106,346)**	(204,990)
Loss on write-off of property, plant and equipment		**(55,927)**	(36,390)
PROFIT FOR THE YEAR		**2,177,380**	3,512,933
Basic and diluted earnings per share (in fils)	27	**20**	32
Dividend per share (in fils)	19 (a)	**10**	12

Faisal Ahmed Al Zayani
Chairman

Ayad Abdulla Ahmed Al Sumait
Vice Chairman and Managing Director

The attached notes 1 to 36 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 BD	2016 BD
Profit for the year		**2,177,380**	3,512,933
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement in fair values of available for sale investments during the year	9	**(398,824)**	(138,079)
Share in associate's cumulative changes in fair values	8	**(26,837)**	(14,729)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(425,661)**	(152,808)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Revaluation of freehold land	7, 18	**-**	(4,397,432)
Other comprehensive loss for the year		**(425,661)**	(4,550,240)
Total comprehensive income (loss) for the year		**1,751,719**	(1,037,307)

Faisal Ahmed Al Zayani
Chairman

Ayad Abdulla Ahmed Al Sumait
Vice Chairman and Managing Director

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	*2017* *BD*	*2016* *BD*
OPERATING ACTIVITIES			
Profit for the year		**2,177,380**	3,512,933
Adjustments for:			
Depreciation	7	**2,048,050**	2,023,994
Write-off of property, plant and equipment	7	**55,927**	36,390
Share of profit from an associate	8	**(1,665,611)**	(2,113,407)
Net change in the fair value of held-for-trading investments		**(3,307)**	2,005
Write back of provision for doubtful receivables	12	**(1,416)**	(16,649)
Provision for employees' end of service benefits	20	**60,800**	76,560
Dividend income		**(168,700)**	(169,015)
Interest income		**(161,985)**	(80,346)
Operating profit before working capital changes		**2,341,138**	3,272,465
Working capital changes:			
Inventories		**(9,643)**	(6,146)
Trade and other receivables		**(447,421)**	125,583
Trade and other payables		**292,152**	51,576
Cash flows from operations		**2,176,226**	3,443,478
Directors' remuneration paid	28	**(179,000)**	(179,000)
Employees' end of service benefits paid	20	**(44,770)**	(23,504)
Charitable contributions paid	22	**(53,000)**	(54,000)
Net cash flows from operating activities		**1,899,456**	3,186,974
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,560,223)**	(458,149)
Purchase of available-for-sale investment	9	**-**	(2,000,000)
Dividends received from an associate	8	**1,500,000**	1,400,000
Other dividends received		**168,700**	169,015
Interest received		**161,985**	39,802
Net cash flows from (used in) investing activities		**270,462**	(849,332)
FINANCING ACTIVITIES			
Dividends paid	19 (a)	**(1,310,097)**	(1,310,097)
Repayments of term loan	21	**(2,486,436)**	(2,486,436)
Net cash flows used in financing activities		**(3,796,533)**	(3,796,533)
DECREASE IN CASH AND CASH EQUIVALENTS		**(1,626,615)**	(1,458,891)
Cash and cash equivalents at 1 January		**4,581,621**	6,040,512
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**2,955,006**	4,581,621

Non-cash items:

(i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 369,547 (2016: BD 22,634) has been excluded from the movement of trade and other payable.

(ii) Unclaimed dividends pertaining to prior years amounting to BD 233,043 (2016: BD 234,010) [note 13] has been excluded from the movement of trade and other payables.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	*Share capital BD*	*Treasury shares BD*	*Statutory reserve BD*	*General reserve BD*	*Revaluation reserve BD*	*Available-for-sale investments reserve BD*	*Retained earnings BD*	*Proposed dividend BD*	*Total BD*
Balance at 1 January 2017		11,025,000	(94,726)	5,512,500	2,190,079	31,206,911	2,273,944	29,282,547	1,310,097	82,706,352
Profit for the year		-	-	-	-	-	-	2,177,380	-	2,177,380
Other comprehensive loss		-	-	-	-	-	(425,661)	-	-	(425,661)
Total comprehensive (loss) income		-	-	-	-	-	(425,661)	2,177,380	-	1,751,719
Dividend paid - 2016	19 (a)	-	-	-	-	-	-	-	(1,310,097)	(1,310,097)
Proposed dividend - 2017	19 (a), (c)	-	-	-	-	-	-	(1,091,747)	1,091,747	-
Balance at 31 December 2017		**11,025,000**	**(94,726)**	**5,512,500**	**2,190,079**	**31,206,911**	**1,848,283**	**30,368,180**	**1,091,747**	**83,147,974**

The attached notes 1 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2017

	Note	Share capital BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Revaluation reserve BD	Available-for-sale investments reserve BD	Retained earnings BD	Proposed dividend BD	Total BD
Balance at 1 January 2016		11,025,000	(94,726)	5,512,500	2,190,079	35,604,343	2,426,752	27,079,711	1,310,097	85,053,756
Profit for the year		-	-	-	-	-	-	3,512,933	-	3,512,933
Other comprehensive loss		-	-	-	-	(4,397,432)	(152,808)	-	-	(4,550,240)
Total comprehensive income		-	-	-	-	(4,397,432)	(152,808)	3,512,933	-	(1,037,307)
Dividend paid - 2015	19 (a)	-	-	-	-	-	-	-	(1,310,097)	(1,310,097)
Proposed dividend - 2016	19 (a), (c)	-	-	-	-	-	-	(1,310,097)	1,310,097	-
Balance at 31 December 2016		11,025,000	(94,726)	5,512,500	2,190,079	31,206,911	2,273,944	29,282,547	1,310,097	82,706,352

The attached notes 1 to 36 form part of these financial statements.

1 CORPORATE INFORMATION

National Hotels Company B.S.C. (the "Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 1665. The address of the registered office of the Company is P.O. Box 5243, Building 59, Road 1701, Block 317, Diplomatic Area, Kingdom of Bahrain. The Company owns the Diplomat Radisson BLU Hotel (the "Hotel), which is managed by Rezidor Hotel Group ("Rezidor") under a 15 year management agreement dated 20 July 2000. In 2007, the Company commenced the operations of its serviced apartments, which are also managed by Rezidor under a 12 year management agreement dated 6 May 2003. In 2012, the Company commenced the operations of its office towers, which are managed by the Company directly. In 2015, the management agreement of the Hotel and serviced apartments was amended to extend the management period up to 31 December 2030.

The Company operates solely in the Kingdom of Bahrain.

Associate
The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2016: 33.33%).

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 15 February 2018.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book (applicable provisions of Volume 6) and rules and procedures of the Bahrain Bourse.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments, held-for-trading investments and the revaluation of freehold land.

The financial statements have been presented in Bahraini Dinars (BD), which is the functional currency of the Company.

3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations effective as of 1 January 2017
The accounting policies adopted are consistent with those of the previous financial year, except for the following IASB's new and amended standards and interpretations which are effective as of 1 January 2017. The adoption of these standards and interpretations did not have any effect on the Company's financial position, financial performance or disclosures.

IAS 7 *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative - The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).*

IAS 12 *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses - The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.*

3 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2017

Annual Improvements Cycle - 2014-2016

IFRS 12 Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 - The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

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

An asset is presented as current when it is:

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

All other assets are classified as non-current.

A liability is presented as current when:

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

The Company classifies all other liabilities as non-current.

Property, plant and equipment

Property, plant and equipment, except land, is recorded at cost less accumulated depreciation and any impairment in value. Land is carried at revalued amounts. Land and capital work-in-progress are not depreciated.

Revaluation of land is normally carried out every three years. Any net surplus arising on revaluation is credited to a revaluation reserve and any decrease resulting from subsequent revaluations is charged directly against any related revaluation surplus held in respect of that same asset and the remaining portion charged as an expense. On the subsequent sale or retirement of revalued land, the additional revaluation surplus is transferred to retained earnings.

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

- Buildings	25 to 40 years
- Improvements to buildings	5 to 10 years
- Furniture, fixtures and equipment	5 to 7 years
- Plant and machinery	4 to 20 years

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

The Company assesses its impairment calculation after reviewing detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of one year. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the first year.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the assets) is included in the statement of profit or loss in the year the asset is derecognised.

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

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

The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in other comprehensive income (OCI) of this investee is presented as part of the Company's OCI. Where there has been a change recognised directly in equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss for the year and non controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Inventories
Inventories of food and beverage are stated at the lower of cost and net realisable value. Inventories of maintenance stores are stated at cost less provision for obsolescence. Costs are those expenses incurred in bringing inventories to their present location and condition and are determined on a first-in-first-out basis.

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances and cash, term deposits, certain portion of trade and other receivables, available-for-sale investments and held-for-trading investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held for trading and designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with gains or losses recognised in the statement of profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Subsequent measurement (continued)
Financial assets at fair value through profit or loss (continued)
The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Bad debts are written off in the statement of profit or loss when identified.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 12.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables or held-to-maturity investments. After initial measurement, available-for-sale financial assets are subsequently measured at fair value (unless it is impractical to determine the fair value), with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of profit or loss.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised as other comprehensive income is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of restricted cash.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment and uncollectibility of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors 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 indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An assessment is made at each date of statement of financial position to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of profit or loss. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of profit or loss;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities comprise of a certain portion of trade and other payables and term loan.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Company.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)
Initial recognition and measurement (continued)
Loans and borrowings (continued)
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

This category generally applies to interest-bearing term loan. For more information refer note 21.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Amortised cost of financial instruments
Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition of financial instruments
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' end of service benefits
The Company provides for end of service benefits to its expatriate employees in accordance with the Bahrain Labour Law. The entitlement to these benefits is based upon the employees' final salaries and length of service. The expected costs of these benefits are accrued over the period of employment.

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

Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Revenue is measured at the fair value of the consideration received or receivable taking into account any contractually defined terms of payment, and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related levies. The Company assesses its revenue against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from services and sale of goods
Revenue from the rendering of services is recognised when services are performed, provided that the amount can be measured reliably. Revenue from the sale of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income
Interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the statement of profit or loss.

Dividend income
Dividend income is recognised when the Company's right to receive the payment is established.

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of profit or loss.

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

Translation gains or losses on non-monetary available-for-sale investments carried at fair value are included in equity as part of the fair value adjustment on available-for-sale investments. Translation gains or losses on non-monetary trading investments carried at fair value are included in the statement of profit or loss as part of the net change in the value of held-for-trading investments.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Going concern

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

Classification of investments

Management decides upon acquisition of an investment whether it should be classified as held-for-trading investment or available-for-sale.

Valuation of investments

Management uses its best judgement in determining fair values of the unquoted investments by reference to recent, material arms' length transactions involving third parties. Nonetheless, the actual amount that will be realised in a future transaction may differ from the current estimate of fair value, given the inherent uncertainty surrounding valuations of unquoted investments. In determining any impairment for the unquoted investments carried at cost, assumptions have been made regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefit.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of available-for-sale equity investments

The Company's management reviews its investments for impairment. The assessment is carried out when there has been a significant or prolonged decline in the fair value of an investment below its cost or when objective evidence of impairment exists.

Impairment of trade and other receivables

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

At the reporting date, gross trade accounts receivable were BD 281,410 (2016: BD 393,448) and the provision for doubtful receivables was BD 20,007 (2016: BD 21,423). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of inventories (continued)

At the statement of financial position, gross food and beverage inventories were BD 59,689 (2016: BD 63,290) and general stores of BD 31,157 (2016: BD 17,913), and there was no allowance for old and obsolete inventories (2016: nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

Revaluation of freehold land

The Company measures its freehold land at revalued amounts with changes in fair values being recognised in equity. Revaluation of freehold land is normally carried out annually. The Company engaged an independent valuation specialist to assess the fair value of the freehold land as at 31 December 2017. The assessment of the fair value of the freehold land requires assumptions such as level of development in the area, current market trends, supply and demand of the property, as well as location, population and type of neighbourhood in the area. The Company has not recognised any revaluation adjustment on its freehold land for the year ended 31 December 2017 (2016: loss of 4,397,432) (note 7).

Useful lives of property, plant and equipment

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

Impairment of property, plant and equipment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The Company has not recognised any impairment of property, plant and equipment in its statement of profit or loss for the year ended 31 December 2017 and 31 December 2016.

6 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company reasonably expects these standards issued to be applicable at a future date. The Company intends to adopt these standards, if applicable, when they become effective:

IAS 40	*Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018;*
IFRS 9	*Financial Instruments: Guidance on classification and measurement, impairment and hedge accounting (effective for annual periods beginning on or after 1 January 2018);*
IFRS 15	*Revenue from Contracts with Customers: Guidance on performance obligations, variable consideration, warranty obligations, loyalty points program, rendering of services and equipment received from customers (effective for annual periods beginning on or after 1 January 2018);*

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

IFRS 10 and IAS 28	*Consolidated Financial Statements and Investment in Associates and Joint Ventures (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is not decided);*
IFRS 2	*Share-based Payment Transactions: Classification and Measurement of Share-based Payment (Amendments) (effective for annual periods beginning on or after 1 January 2018).Early application is permitted;*
IFRS 16	*Leases - Revised guidance on single model accounting for leases (effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied;*
IFRS 17	*Insurance Contracts: The standard covers recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, that was issued in 2005 (effective for annual periods beginning on or after 1 January 2021);*
IFRS 9 and IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (effective for annual periods beginning on or after 1 January 2018);*
IFRIC 22	*Foreign Currency: Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018); and*
IFRIC 23	*Uncertainty over income tax treatment:(effective for annual periods beginning on or after 1 January 2019).*

Annual Improvements 2014-2016 Cycle

IFRS 1	*First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters (effective from 1 January 2018); and*
IAS 28	*Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (the amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted).*

The Company is currently assessing the impact of the following standards on its financial statements,:

IFRS 9 Financial Instruments
The adoption of IFRS 9 will have an impact on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. Moreover, the Company expects no significant impact in the allowance for trade receivables. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9.

IFRS 15 Revenue from Contracts with Customers
The core principle of IFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods.

During 2017, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed analysis. Overall, the Company expects no significant impact on its financial statements.

The Company is currently assessing the financial reporting impact of the above standards when they become effective. Other amendments resulting from standards and interpretations and amendments standards and interpretations will not have any impact on the accounting policies, financial position or financial performance of the Company.

7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	*Buildings*	*Improvements to buildings*	*Furniture, fixtures and equipment*	*Plant and machinery*	*Capital work-in-progress*	*Total*
	BD	*BD*	*BD*	*BD*	*BD*	*BD*	*BD*
Cost / valuation:							
At 1 January 2017	31,774,218	53,070,969	2,649,080	3,596,490	8,133,646	164,738	99,389,141
Revaluation loss (note 18)	-	-	-	-	-	-	-
Additions	-	-	82,413	7,090	118,909	1,698,724	1,907,136
Write-offs	-	-	-	(602,662)	(10,111)	-	(612,773)
At 31 December 2017	31,774,218	53,070,969	2,731,493	3,000,918	8,242,444	1,863,462	100,683,504
Depreciation:							
At 1 January 2017	-	19,460,128	1,091,680	3,114,309	4,904,628	-	28,570,745
Charge for the year	-	1,327,212	223,422	39,569	457,847	-	2,048,050
Relating to write-offs	-	-	-	(547,746)	(9,100)	-	(556,846)
At 31 December 2017	-	20,787,340	1,315,102	2,606,132	5,353,375	-	30,061,949
Net carrying amounts:							
At 31 December 2017	**31,774,218**	**32,283,629**	**1,416,391**	**394,786**	**2,889,069**	**1,863,462**	**70,621,555**

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land BD	*Buildings BD*	*Improvements to buildings BD*	*Furniture, fixtures and equipment BD*	*Plant and machinery BD*	*Capital work-in-progress BD*	*Total BD*
Cost / valuation:							
At 1 January 2016	36,171,650	53,054,969	2,645,880	4,258,876	8,204,567	43,823	104,379,765
Revaluation loss (note 18)	(4,397,432)	-	-	-	-	-	(4,397,432)
Additions	-	16,000	3,200	2,560	315,474	120,915	458,149
Write-offs	-	-	-	(664,946)	(386,395)	-	(1,051,341)
At 31 December 2016	31,774,218	53,070,969	2,649,080	3,596,490	8,133,646	164,738	99,389,141
Depreciation:							
At 1 January 2016	-	18,133,447	868,424	3,737,279	4,822,552	-	27,561,702
Charge for the year	-	1,326,681	223,256	41,976	432,081	-	2,023,994
Relating to write-offs	-	-	-	(664,946)	(350,005)	-	(1,014,951)
At 31 December 2016	-	19,460,128	1,091,680	3,114,309	4,904,628	-	28,570,745
Net carrying amounts:							
At 31 December 2016	31,774,218	33,610,841	1,557,400	482,181	3,229,018	164,738	70,818,396

Note:

a) Freehold land was revalued on 31 December 2017 by an independent property valuer. As per the revaluation, the value of freehold land of BD 31,774,218 as of 31 December 2017 approximates its fair value and hence no revaluation adjustment has been charged to the revaluation reserve in (2016: revaluation loss of BD 4,397,432) (note 18). The previous revaluation was conducted as at 31 December 2016.

b) The carrying amount of freehold land, if carried at cost, would be BD 567,307 (2016: BD 567,307).

8 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2016: 33.33%) interest in African & Eastern (Bahrain) W.L.L., which is incorporated in the Kingdom of Bahrain and is involved in the business of investment in bonds and shares as well as importing and selling consumer products. African & Eastern (Bahrain) W.L.L. is a private entity that is not listed on any public exchange. The Company's interest in African & Eastern (Bahrain) W.L.L. is accounted for using the equity method in the financial statements.

The movements during the year are as follows:

	2017 *BD*	*2016* *BD*
At 1 January	**7,571,085**	6,872,407
Share of profit during the year	**1,665,611**	2,113,407
Dividends received during the year	**(1,500,000)**	(1,400,000)
Share in associate's cumulative changes in fair values	**(26,837)**	(14,729)
At 31 December	**7,709,859**	7,571,085

The following table illustrates the summarised financial information of the Company's investment in African & Eastern (Bahrain) W.L.L.:

	2017 *BD*	*2016* *BD*
Current assets	**8,542,806**	7,547,349
Non-current assets	**15,889,807**	16,244,154
Current liabilities	**(1,819,848)**	(1,623,245)
Non-current liabilities	**(236,928)**	(208,785)
Equity	**22,375,837**	21,959,473
Proportion of the Company's ownership	**33.33%**	33.33%
Share of the associate's net assets	**7,457,866**	7,319,092
Goodwill on investment	**251,993**	251,993
Carrying amount of the investment	**7,709,859**	7,571,085

	2017 *BD*	*2016* *BD*
Revenue	**16,827,224**	18,904,246
Cost of sales	**(10,606,061)**	(11,124,950)
Other income	**700,622**	620,963
Administrative expenses	**(1,924,456)**	(2,060,038)
Profit for the year	**4,997,329**	6,340,221
Company's share of profit for the year	**1,665,611**	2,113,407

As at 31 December 2017, the associate had contingent liabilities arising in the ordinary course of business which includes outstanding letter of guarantee and tender cheques amounting to BD 3,481 (2016: BD 5,697).

9 AVAILABLE-FOR-SALE INVESTMENTS

	2017	*2016*
	BD	*BD*
Equity investments:		
Quoted investments	**4,147,512**	4,546,336
Unquoted investments (at cost) *	**310,800**	310,800
	4,458,312	4,857,136

* These unquoted investments are carried at cost, as fair values cannot be reliably determined due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments.

The movement in the quoted available-for-sale investments is as follows:

	2017	*2016*
	BD	*BD*
At 1 January	**4,546,336**	2,684,415
Additions during the year**	**-**	2,000,000
Unrealised loss on available for sale investments	**(398,824)**	(138,079)
At 31 December	**4,147,512**	4,546,336

All available-for-sale investments valued at fair value were valued under level 1 fair value hierarchy, there were no available-for-sale investments which were fair valued under level 2 and level 3 fair value hierarchy (note 31).

** The additions last year pertains to Government Development bonds issued by the Central Bank of Bahrain on behalf of the Government of the Kingdom of Bahrain. The bonds carry interest at a fixed rate of 4.45% per annum and mature on 21 July 2019.

10 INVENTORIES

	2017	*2016*
	BD	*BD*
Food and beverages	**59,689**	63,290
General stores	**31,157**	17,913
	90,846	81,203

The amount of inventories recognised as expenditure in gross operating costs during the year amounted to BD 658,348 (2016: BD 779,322).

11 HELD-FOR-TRADING INVESTMENTS

	2017	*2016*
	BD	*BD*
Quoted equities:		
At 1 January	**40,926**	42,931
Fair value gain (loss)	**3,307**	(2,005)
At 31 December	**44,233**	40,926

12 TRADE AND OTHER RECEIVABLES

	2017 BD	2016 BD
Trade receivables	**281,410**	393,448
Less: Provision for doubtful receivables	**(20,007)**	(21,423)
	261,403	372,025
Advances to supplier and contractors	**575,829**	3,003
Prepaid expenses	**130,549**	145,585
Accrued interest	**40,544**	40,544
Amounts due from a related party (note 28)	**13,299**	16,439
Other receivables	**6,305**	1,496
	1,027,929	579,092

Trade receivables are non-interest bearing. Receivables relating to current guests are payable on departure. Receivables relating to other operations and corporate guests are generally on 30 days terms. For terms and conditions relating to related party receivables, refer to note 28.

As at 31 December 2017, trade receivables with a nominal value of BD 20,007 (2016: BD 21,423) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2017 BD	2016 BD
At 1 January	**21,423**	38,072
Provision written back	**(1,416)**	(16,649)
At 31 December	**20,007**	21,423

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

			Past due but not impaired			
	Total BD	*Neither past due nor impaired BD*	*30 – 60 days BD*	*61 – 90 days BD*	*91 – 120 days BD*	*>120 days BD*
2017	**261,403**	**144,990**	**33,651**	**28,744**	**25,407**	**28,611**
2016	372,025	220,319	110,337	9,067	6,302	26,000

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables except post dated cheques for a small number of receivable balances.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following statement of financial position amounts:

	2017 *BD*	*2016* *BD*
Cash on hand	**7,265**	8,200
Cash at banks	**3,180,784**	4,807,431
Bank balances and cash	**3,188,049**	4,815,631
Restricted cash	**(233,043)**	(234,010)
Cash and cash equivalents as per the statement of cash flows	**2,955,006**	4,581,621

Restricted cash represent unclaimed dividends which have been excluded in cash and cash equivalents.

14 SHARE CAPITAL

	2017 *BD*	*2016* *BD*
Authorised:		
150,000,000 (2016: 150,000,000) ordinary shares of BD 0.100 each	**15,000,000**	15,000,000
Issued and fully paid:		
110,250,000 (2016: 110,250,000) shares of BD 0.100 each	**11,025,000**	11,025,000

15 TREASURY SHARES

Treasury shares represent the purchase by the Company of its own shares. As at 31 December 2017, the Company had purchased 1,075,257 shares (2016: 1,075,257 shares) with a market value of BD 301,072 (2016: BD 301,072). These shares represents 0.98% of the total outstanding shares as at 31 December 2017 and 31 December 2016.

16 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year has to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. No such transfer was made during the year (2016: nil) as the statutory reserve has reached 50% of the issued and paid up share capital.

17 GENERAL RESERVE

The general reserve represents funds set aside for the purpose of future capital expenditure and to enhance the capital base of the Company. There are no restrictions over the distribution of this reserve.

18 REVALUATION RESERVE

The revaluation reserve relates to the fair valuation of freehold land owned by the Company (note 7).

19 DIVIDENDS

a) ***Proposed and paid dividends***

At the annual general meeting of the shareholders held on 30 March 2017 , the shareholders of the Company resolved to distribute cash dividends of 12 fils per share, relating to 2016 amounting to BD 1,310,097 which was paid on 9 April 2017 from retained earnings (2016: 12 fils per share, relating to 2015 amounted to BD 1,310,097).

The Board of Directors on 15 February 2018 has proposed a cash dividend of 10 fils per share totalling BD 1,091,747 from the retained earnings (2016: cash dividend of 12 fils per share totalling BD 1,310,097). These appropriations are subject to the approval of the shareholders at the Annual General Meeting and other regulatory bodies.

b) ***Proposed and issued bonus shares***

The shareholders of the Company did not resolve to distribute any bonus shares from the general reserve during the year (2016: same).

The Board of Directors has not proposed bonus shares from the general reserve for the year 2017 (2016: same).

c) ***Cash dividend per share***

Dividend per share is calculated by dividing the proposed dividend for the year by the number of eligible shares at the year-end, as follows:

	2017	*2016*
Dividend for the year in BD	**1,091,747**	1,310,097
Number of eligible shares as at 31 December	**109,174,743**	109,174,743
Dividend per share–fils	**10**	12

20 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the liability recognised in the statement of financial position in respect of employees' end of service benefits are as follows:

	2017 BD	*2016 BD*
Provision as at 1 January	**415,376**	362,320
Provided during the year (note 26)	**60,800**	76,560
End of service benefits paid	**(44,770)**	(23,504)
Provision as at 31 December	**431,406**	415,376

21 TERM LOAN

	2017 *BD*	*2016* *BD*
Current liability	**1,243,215**	2,486,436
Non-current liability	**-**	1,243,215
Total term loan	**1,243,215**	3,729,651
As at 1 January	**3,729,651**	6,216,087
Repayment	**(2,486,436)**	(2,486,436)
As at 31 December	**1,243,215**	3,729,651

The Company has obtained an overdraft facility of BD 15,000,000 from a commercial bank in Kingdom of Bahrain to finance the construction of a commercial property which was agreed with the commercial bank to convert the overdraft facility to a term loan upon the completion of the construction. On 14 April 2012, the construction of the commercial property was completed and the overdraft facility was converted into a term loan, which is repayable in quarterly instalments of BD 621,609 plus interest at a rate of 3 month BIBOR plus 2.5% over a period of six years starting on 12 July 2012. The effective interest rate at 31 December 2017 was 3.83% (31 December 2016: 4.23%). The term loan is secured by a mortgage over the freehold land, buildings and improvements to buildings.

22 TRADE AND OTHER PAYABLES

	2017 *BD*	*2016* *BD*
Construction contractors payable	**536,612**	39,762
Accrued expenses	**500,437**	619,774
Trade payables	**446,435**	279,992
Amounts due to related parties (note 28)	**237,056**	297,967
Dividends payable	**233,043**	234,010
Advances from customers	**145,912**	182,834
Retentions payable	**119,253**	2,390
Provision for charitable contributions	**58,150**	81,150
Deferred income	**22,758**	18,390
Interest payable	**13,714**	36,292
Provision for defective items (note 25)	**-**	113,213
Other payables	**4,818**	6,316
	2,318,188	1,912,090

Trade payables are non-interest bearing and are normally settled within 45 days from the date of receipt of the goods or service.

Movements in the provision for charitable contributions recognised in the statement of financial position are as follows:

	2017 *BD*	*2016* *BD*
Provision as at 1 January	**81,150**	85,150
Amount provided during the year	**30,000**	50,000
Charitable contributions paid	**(53,000)**	(54,000)
Provision as at 31 December	**58,150**	81,150

23 GROSS OPERATING REVENUE

	2017 BD	2016 BD
Rooms	**2,141,170**	2,940,290
Food and beverages	**2,303,317**	2,703,647
Serviced apartments	**1,533,273**	1,754,053
Income from office towers	**1,100,426**	1,043,419
Other departments	**282,464**	364,601
	7,360,650	8,806,010

24 GROSS OPERATING COSTS

	2017 BD	2016 BD
Food and beverages	**1,341,639**	1,485,697
Room related expenses	**530,414**	576,988
Serviced apartments related expenses	**494,264**	462,726
Expenses related to office towers	**301,053**	275,465
Other operating departments	**2,120,068**	2,188,711
	4,787,438	4,989,587

An analysis of gross operating costs on the basis of nature of expenses is as follows:

	2017 BD	2016 BD
Payroll and related expenses (note 26)	**1,935,024**	1,954,420
Consumption of inventories	**658,348**	779,322
Overhead expenses	**510,676**	498,816
Utilities, insurance and taxes	**455,248**	433,217
Repairs and maintenance	**189,035**	192,210
Management fees (note 28)	**138,240**	235,804
Commission expenses	**204,058**	264,136
Sales and marketing	**145,078**	83,928
Others	**551,731**	547,734
	4,787,438	4,989,587

25 MISCELLANEOUS INCOME

	2017 BD	2016 BD
Rental income	**240,000**	240,000
Other	**155,562**	4,854
	395,562	244,854

*Includes reversal of provisions no longer required amounting to BD 113,213 (note 22).

26 STAFF COSTS

The profit for the year is stated after charging staff costs as follows:

	2017 BD	2016 BD
Salaries and wages	**1,102,441**	1,136,967
Employees' end of service benefits (note 20)	**60,800**	76,560
Contributions to the Social Insurance Organisation scheme:		
- Bahrainis	**57,721**	76,410
- Non-Bahrainis	**22,209**	29,404
Other staff expenses and benefits	**977,499**	928,500
	2,220,670	2,247,841

The staff costs has been allocated in the statement of profit or loss as follows:

	2017 BD	2016 BD
Gross operating costs (note 24)	**1,935,024**	1,954,420
General and administration expenses	**285,646**	293,421
	2,220,670	2,247,841

27 BASIC AND DILUTED EARNINGS PER SHARE

	2017	2016
Profit for the year - BD	**2,177,380**	3,512,933
Weighted average shares in issue - net of treasury shares	**109,174,743**	109,174,743
Basic and diluted earnings per share - fils	**20**	32

No separate figure for diluted earnings per share has been presented as the Company has issued no instruments that would have a dilutive effect.

28 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

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

	2017			
	Purchases	*Fees for management services*	*Other expenses*	*Revenue and other income*
	BD	*BD*	*BD*	*BD*
Associated company	89,382	-	-	1,050
Management company (Rezidor)	-	138,240	64,427	8,509
Directors	-	-	171,750	5,333
	89,382	138,240	236,177	14,892

	2016			
	Purchases	*Fees for management services*	*Other expenses*	*Revenue and other income*
	BD	*BD*	*BD*	*BD*
Associated company	114,697	-	-	-
Management company (Rezidor)	-	235,804	30,510	7,997
Directors	-	-	225,500	17,253
	114,697	235,804	256,010	25,250

Balances with related parties included in the statement of financial position (note 12 and note 22) are as follows:

	2017		*2016*	
	Receivables	*Payables*	*Receivables*	*Payables*
	BD	*BD*	*BD*	*BD*
Associated company	-	15,588	-	10,093
Management Company (Rezidor)	11,743	101,468	16,439	108,874
Directors	1,556	120,000	-	179,000
	13,299	237,056	16,439	297,967

Terms and conditions of transactions with related parties

Outstanding balances at the year end arise in the normal course of business and are unsecured, interest free and settlement occurs in cash, and are usually settled within 30 days. There have been no guarantees received or provided for any related party payable and receivable balances.

The directors' remuneration charged to statement of profit or loss during the year ended 31 December 2017 amounted to BD 120,000 (2016: BD 179,000) which only includes the basic fees. Further, the directors' remuneration paid during the year amounted to BD 179,000 (2016: BD 179,000).

28 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel
The remuneration of key management personnel, other than directors, during the year were as follows:

	2017	*2016*
	BD	*BD*
Short-term benefits	**177,037**	170,841
Employee's end of service benefits	**14,400**	22,361
	191,437	193,202

29 COMMITMENTS

The Board of Directors have authorised future capital expenditure amounting to BD 4.65 million as of 31 December 2017 pertaining to refurbishment of hotel rooms and lobby (2016: BD 4.5 million).

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction
The Company manages risk through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to interest rate risk, credit risk, liquidity risk, equity price risk and reputational risk.

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Executive committee
The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Company.

Investment committee
The investment committee is mainly responsible for market and liquidity risks pertaining to the Company's investment activity by optimising liquidity and maximising returns from the funds available to the Company.

Interest rate risk
As at 31 December 2017, the Company has a term loan with a commercial bank in the Kingdom of Bahrain and has no term deposits (2016: same).

The Company is exposed to interest rate risk on its term loan. The term loan and its effective interest rate at 31 December 2017 are disclosed in note 21. An increase in the interest rate on the outstanding term loan by 100 basis points with all other variables held constant, would have decreased the profit for the year by BD 12,432 (2016: BD 37,297). A decrease in interest rate by 100 basis points would have an equal and opposite effect on the profit for the year.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Company is exposed to credit risk on its managed portfolio and trade and other receivables. The Company places its deposits and funds with banks and investment managers having good credit ratings. With regard to trade and other receivables, the Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables on an on-going basis.

The Company provides its services to a large number of customers. Its five largest customers account for 27% of outstanding trade receivables at 31 December 2017 (2016: 46%).

Credit risk is limited to the carrying value of financial assets as shown in the statement of financial position.

Liquidity risk

Liquidity risk (also referred to as funding risk), is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Company limits its liquidity risk by ensuring bank facilities are available and monitoring cash flows on an on-going basis. The Company's terms of billing require amounts to be paid within 30 days of billing. Trade payables are normally settled within 45 days from the date of invoice. The Company's cash flows from operations are normally adequate to meet expected liquidity requirements.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates.

	Less than 3 months BD	***3 to 12 months BD***	***1 to 5 years BD***	***Total BD***
31 December 2017				
Dividends payable	**233,043**	**-**	**-**	**233,043**
Retentions payable	**119,253**	**-**	**-**	**119,253**
Interest payable	**13,714**	**-**	**-**	**13,714**
Construction contractors payable	**-**	**536,612**	**-**	**536,612**
Other payables	**-**	**4,818**	**-**	**4,818**
Trade payables	**-**	**446,435**	**-**	**446,435**
Amounts due to related parties (note 28)	**-**	**237,056**	**-**	**237,056**
Term loan	**633,420**	**627,511**	**-**	**1,260,931**
Total	**999,430**	**1,852,432**	**-**	**2,851,862**

	Less than 3 months BD	*3 to 12 months BD*	*1 to 5 years BD*	*Total BD*
31 December 2016				
Dividends payable	234,010	-	-	234,010
Retentions payable	2,390	-	-	2,390
Interest payable	36,292	-	-	36,292
Construction contractors payable	-	39,762	-	39,762
Other payables	-	6,316	-	6,316
Trade payables	-	279,992	-	279,992
Amounts due to related parties (note 28)	-	297,967	-	297,967
Term loan	657,041	1,935,690	1,260,931	3,853,662
Total	929,733	2,559,727	1,260,931	4,750,391

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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's transactions are mainly in Bahraini Dinars and United Stated Dollars. The Company is not exposed to significant currency risk as the Bahraini Dinar is pegged to the United States Dollar.

Equity price risk
Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Company controls equity price risk by diversifying its investments.

The Company makes investments on its own account and through portfolio managers.

All of the Company's quoted investments, including managed portfolio investments, are traded in Gulf Co-operation Council (GCC) markets. One of the Company's own managed investments accounts for 92% of the total investments as of 31 December 2017 (2016: 93%). No other investments, including investments in the managed portfolio, accounts for more than 10% of the total investments.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant.

	Change in equity price 2017	***Effect on equity 2017***	***Effect on profit 2017***	*Change in equity price 2016*	*Effect on equity 2016*	*Effect on profit 2016*
	BD	***BD***	***BD***	*BD*	*BD*	*BD*
Available-for-sale investments						
Quoted	**+20%**	**829,502**	**-**	+20%	909,267	-
	-20%	**(829,502)**	**-**	-20%	(909,267)	-
Held-for-trading						
Quoted	**+20%**	**-**	**8,847**	+20%	-	8,185
	-20%	**-**	**(8,847)**	-20%	-	(8,185)

The Company also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, then the statement of profit or loss will be impacted.

Reputational risk
The Company manages reputational risk through regular monitoring of operations, ensuring that customers' feedback on the products and services offered is regularly received and acted upon, mystery guest processes and other forms of customer satisfaction surveys.

Capital management
For the purpose of the Company's capital management, equity includes share capital, treasury shares, statutory reserve, general reserve, revaluation reserve, available-for-sale investments reserve, retained earnings and proposed dividends.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The primary objective of the Company's capital management strategy is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value and run its operations with funds generated from operations and maintain a low level of borrowings.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing term loan in the current or previous period.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 25%. The Company includes within net debt, interest bearing loans and borrowing, trade and others payables, less cash and cash equivalents.

	2017	*2016*
	BD	*BD*
Interest-bearing term loan (note 21)	**1,243,215**	3,729,651
Trade and other payables (note 22)	**2,318,188**	1,912,090
Cash and cash equivalents (note 13)	**(2,955,006)**	(4,581,621)
Net debt	**606,397**	1,060,120
Total capital	**83,147,974**	82,706,352
Capital and net debt	**83,754,371**	83,766,472
Gearing ratio	**1%**	1%

31 FAIR VALUE MEASUREMENT

Financial instruments comprises of financial assets and financial liabilities.

Financial assets consist of cash at banks, term deposits, a certain portion of trade and other receivables and investments. Financial liabilities consist of a certain portion of trade and other payables and term loan.

31 FAIR VALUE MEASUREMENT (continued)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities as at 31 December 2017 and 31 December 2016:

		Fair value measurement using			
31 December 2017	*Date of valuation*	*Quoted prices in active markets (Level 1) BD*	*Significant observable inputs (Level 2) BD*	*Significant unobservable inputs (Level 3) BD*	*Total BD*
Assets measured at fair value:					
Available-for-sale investments	*31 December 2017*	4,147,512	-	-	4,147,512
Held-for-trading investments	*31 December 2017*	44,233	-	-	44,233
Revalued freehold land	*31 March 2017*	-	-	31,774,218	31,774,218

		Fair value measurement using			
31 December 2016	*Date of valuation*	*Quoted prices prices in active markets (Level 1) BD*	*Significant observable inputs (Level 2) BD*	*Significant unobservable inputs (Level 3) BD*	*Total BD*
Assets measured at fair value:					
Available-for-sale investments	*31 December 2016*	4,546,336	-	-	4,546,336
Held-for-trading investments	*31 December 2016*	40,926	-	-	40,926
Revalued freehold land	*1 December 2016*	-	-	31,774,218	31,774,218

During the years ended 31 December 2017, and 31 December 2016, there have been no transfers between Level 1, Level 2 and Level 3.

There was no movement in the revalued freehold land as of 31 December 2017 (2016: loss of BD 4,397,432) which is under Level 3 fair value hierarchy.

The management assessed that cash and bank balances, deposits, trade and receivables, current portion of term loan and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

32 SEGMENT INFORMATION

The Company's operating businesses are organised into the following segments:

Hotel business and corporate	-	Room rental, food and beverage sales, conferences and events, and head office expenses.
Office towers	-	Office rental from two commercial towers.
Investments	-	Income from investments including the associate, held-for-trading investments, available-for-sale investments and term deposits.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, available-for-sale investments, held-for-trading investments and accounts receivable. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two segments is allocated to segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of accounts payable, accrued liabilities and term loan.

	Hotel business and corporate		*Office towers*		*Investments*		*Total*	
	2017	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*
	BD	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*
Gross operating revenue	**6,260,224**	7,762,591	**1,100,426**	1,043,419	**-**	-	**7,360,650**	8,806,010
Gross operating costs	**(4,486,385)**	(4,714,122)	**(301,053)**	(275,465)	**-**	-	**(4,787,438)**	(4,989,587)
Gross operating profit	**1,773,839**	3,048,469	**799,373**	767,954	**-**	-	**2,573,212**	3,816,423
Investment income (net)	**-**	-	**-**	-	**1,999,603**	2,360,763	**1,999,603**	2,360,763
Other income	**395,562**	244,854	**-**	-	**-**	-	**395,562**	244,854
Depreciation	**(1,186,057)**	(1,163,223)	**(861,993)**	(860,771)	**-**	-	**(2,048,050)**	(2,023,994)
Expenses	**(580,674)**	(643,733)	**-**	-	**-**	-	**(580,674)**	(643,733)
Financial charges	**(86)**	(599)	**(106,260)**	(204,391)	**-**	-	**(106,346)**	(204,990)
Loss on write-off of property, plant and equipment	**(55,927)**	(36,390)	**-**	-	**-**	-	**(55,927)**	(36,390)
Profit (loss) for the year	**346,657**	1,449,378	**(168,880)**	(297,208)	**1,999,603**	2,360,763	**2,177,380**	3,512,933
Total assets	**44,470,613**	44,208,974	**27,269,717**	27,269,717	**15,400,453**	17,284,778	**87,140,783**	88,763,469
Total liabilities	**2,620,634**	2,061,467	**1,372,175**	3,995,650	**-**	-	**3,992,809**	6,057,117
Capital expenditure	**1,907,136**	458,149	**-**	-	**-**	-	**1,907,136**	458,149

All of the sales and profit from the hotel business and office towers are earned in the Kingdom of Bahrain and investment income is earned from GCC countries including the Kingdom of Bahrain.

33 SHAREHOLDERS' INFORMATION

a) The names and nationalities of the major shareholders, holding more than 5% of issued share capital of the Company and the number of shares held by them are as follows:

		2017		*2016*	
Name	***Nationality***	***No. of shares***	***%***	***No. of shares***	***%***
Kuwait Investment Authority	Kuwaiti	**36,207,168**	**32.84%**	36,207,168	32.84%
Social Insurance Organization (Pension) - Civil	Bahraini	**35,138,566**	**31.87%**	35,138,566	31.87%
Kuwait Investment Company	Kuwaiti	**22,539,449**	**20.44%**	22,539,449	20.44%

b) Distribution of share capital is as follows:

Category	***No. of shares***	***No. of shareholders***	***% of total outstanding share capital***
As of 31 December 2017:			
Less than 1%	**7,549,894**	**4,009**	**6.85%**
1% up to less than 5%	**7,739,666**	**4**	**7.02%**
5% up to less than 10%	**-**	**-**	**0.00%**
10% up to less than 20%	**-**	**-**	**0.00%**
20% up to less than 50%	**93,885,183**	**3**	**85.16%**
	109,174,743	**4,016**	**99.03%**
Treasury shares	**1,075,257**	**-**	**0.98%**
	110,250,000	**4,016**	**100%**
As of 31 December 2016:			
Less than 1%	7,549,894	4,009	6.85%
1% up to less than 5%	7,739,666	4	7.02%
5% up to less than 10%	-	-	0.00%
10% up to less than 20%	-	-	0.00%
20% up to less than 50%	93,885,183	3	85.16%
	109,174,743	4,016	99.03%
Treasury shares	1,075,257	-	0.98%
	110,250,000	4,016	100%

Directors ownership interest

Mr. Faisal Ahmed Al Zayani (Chairman of the Company) holds 217,775 (31 December 2016: 217,775) shares in the Company as at 31 December 2017 representing 0.20% (31 December 2016: 0.20%) holding in the Company.

34 CORPORATE GOVERNANCE DISCLOSURES

(i) Board, Board Members and Management

Board and Directors' Responsibilities

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of shareholder Interests. The Board roles and responsibilities include but not limited to:

- Responsible for establishing the Company's policies and strategy and for regularly monitoring the effectiveness of executive management in carrying out those policies and strategy.
- Ensure that the Company is managed prudently in compliance with its Memorandum and Articles of Association.
- Approving budgets, financial statements, major finance decision, strategic investment decision making, acquisitions and major asset disposal decisions.

In this respect, the Directors remain individually and collectively responsible for performing all Board of Director's tasks.

Material transactions requiring board approval

The following material transactions require board review, evaluation and approval:

- Long term strategic plan
- Annual business plan
- Business continuity plan
- Policies of the Company
- Risk management framework
- Appointment of sub-committee members

Election system of directors and termination process

Appointment / re-appointment of Board members take place every three years at the meeting of the Shareholders.

Termination of a Board member's mandate usually occurs by dismissal at the Meeting of the Shareholder or by the member's resignation from the Board of Directors.

Directors trading of company shares

The Directors did not trade in any shares during the years ended 31 December 2017 and 31 December 2016.

Code of conduct and procedures adopted by the Board for monitoring compliance

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Company has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. The Code of Conduct defines how the Company relates to its employees, shareholders and the community in which the Company operates.

The Board of Directors has adopted the Code of Conduct and whistleblower procedures policy to monitor and ensures compliance with Company ethics.

The Code of Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The Code of Conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues. The Code of Conduct will be published in the 'Corporate Governance' section of the Company's website.

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

(i) Board, Board Members and Management (continued)

The Board of Directors consist of 7 members as of 31 December 2017 and 31 December 2016.

The Board has been elected on 29 March 2015 for a period of 3 years.

The following table summarises the information about the profession and business title of the current Board members:

	Name of Board Member	*Profession*	*Business Title*	*Executive/ non executive independent/ non independent*
1	Mr. Faisal Ahmed Al Zayani	Businessman	Chairman	Non Executive / Independent
2	Mr. Ayad Abdulla Ahmed Al Sumait	Representing Kuwait Investment Company	Vice Chairman and Managing Director	Executive / Non-independent
3	Mr. Abdul Latif Ahmed Al Zayani	Representing Social Insurance Organization	Director	Non Executive / Non-independent
4	Mr. Mishari Zaid Al Khalid	Representing Kuwait Investment Company	Director	Non Executive / Non-independent
5	Mr. Abdulaziz Abdulla Alisa	Representing Social Insurance Organization	Director	Non Executive / Non-independent
6	Mr. Hashem S.Al-Saif	Representing Kuwait Investment Authority	Director	Non Executive / Non-independent
7	Mr. Sulaiman Ghloom	Representing Kuwait Investment Authority	Director	Non Executive / Non-independent

No board member had directorship of other boards during the year ended 31 December 2017 and 31 December 2016.

The Company should hold a minimum of four Board meetings during each year. During the year ended 31 December 2017, six Board meetings were held. The following table summarises the information about Board of Directors meeting dates and attendance of directors at each meeting;

Members	16/02/17	13/02/17	20/04/17	19/10/17	14/12/17
Mr. Faisal Ahmed Al Zayani	✓	✓	×	✓	✓
Mr. Abdul Latif Ahmed Al Zayani	✓	✓	✓	✓	✓
Mr. Mishari Zaid Al Khalid	✓	✓	✓	✓	✓
Mr. Ayad Abdulla Ahmed Al Sumait	✓	✓	✓	✓	✓
Mr. Hashem S.Al Saif	✓	×	✓	✓	×
Mr. Sulaiman Ghloom Abdullah	✓	✓	✓	✓	✓
Mr. Abdulaziz Abdulla Alisa	✓	✓	✓	✓	✓

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

(I) Board, Board Members and Management (continued)

Remuneration policy

The remuneration policy is based on attendance fees and basic fees.

The remuneration of individual members is given in the below table:

Members	*Meetings attended*	*Fee per meeting*	*Attendance fee*	*Basic fees*	*Total fees*
		2017 BD	*2017 BD*	*2017 BD*	*2017 BD*
Mr. Faisal Ahmed Al Zayani	5	750	3,750	18,500	**22,250**
Mr. Abdul Latif Ahmed Al Zayani	6	750	4,500	18,500	**23,000**
Mr. Mishari Zaid Al Khalid	6	750	4,500	16,500	**21,000**
Mr. Ayad Abdulla Ahmed Al Sumait	6	750	4,500	16,500	**21,000**
Mr. Hashem S.Al Saif	4	750	3,000	16,500	**19,500**
Mr. Sulaiman Ghloom Abdullah	6	750	4,500	16,500	**21,000**
Mr. Abdulaziz Abdulla Alisa	6	750	4,500	16,500	**21,000**
			29,250	119,500	**148,750**

Members	*Meetings attended*	*Fee per meeting*	*Attendance fee*	*Basic fees*	*Total fees*
		2016 BD	*2016 BD*	*2016 BD*	*2016 BD*
Mr. Faisal Ahmed Al Zayani	4	750	3,000	27,000	30,000
Mr. Abdul Latif Ahmed Al Zayani	5	750	3,750	25,000	28,750
Mr. Mishari Zaid Al Khalid	5	750	3,750	25,000	28,750
Mr. Ayad Abdulla Ahmed Al Sumait	5	750	3,750	27,000	30,750
Mr. Hashem S.Al Saif	4	750	3,000	25,000	28,000
Mr. Sulaiman Ghloom Abdullah	5	750	3,750	25,000	28,750
Mr. Abdulaziz Abdulla Alisa	5	750	3,750	25,000	28,750
			24,750	179,000	203,750

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

(i) Board, Board Members and Management (continued)

The following table summarises the information about the profession, business title and experience in years of each of the Executive Management;

	Name of Executive Member	***Designation***	***Department***	***Experience in years***
1	Mr. Abdul Rahman A. Morshed	Chief Executive Officer	Administration	**36**
2	Mr.Konstantinos Kourotsidis	General Manager	Administration	**21**
3	Mr. Ramesh Shankar	Group Chief Accountant	Finance	**18**
4	Mr. Gireesh Sarma	Financial Controller	Finance	**21**
5	Mr. Salim Thakkur	Director of Engineering	Engineering	**23**
6	Mr. Hasan Barakat	Director of Sales and Marketing	Sales	**17**
7	Mr. Salman Hubail	Security Manager	Security	**4**
8	Mr. K.P. Chandran	Executive-House Keeping	House Keeping	**14**
9	Mr. Mohamed Al Shaikha	Front Office Manager	Administration	**11**
10	Mr.Peter Dubsky*	Director, Food & Beverage	Food & Beverage	**9**
11	Ms.Jocelyn Ellana	HR Manager	Human Resources	**16**
12	Mr. Vito Fornelli	Executive Chef	Food & Beverage	**8**
13	Ms. Karin Hengstler	Revenue Manager	Administration	**7**

* Mr Peter Dubsky left during October 2017

The following table summarises the remuneration paid to the executive management:

	2017 BD	*2016 BD*
Salaries and wages	**347,850**	328,905
Employees' end of service benefits	**26,519**	38,789
Bonuses	**74,472**	75,432
Total	**448,841**	443,126

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

(ii) Committees

The following table summarises the information about the Board Committees, their members and objectives;

Board Committee	**Objective**	**Members**	***Executive/ non executive independent/ non independent***
Executive Committee	The Executive Committee's overall primarily responsibility is to perform functions of the Board of Directors when there is a critical need for prompt review and action of the Board of Directors and it is not practical to arrange for a meeting within the time reasonably available. In addition, the Executive Committee will assist the Board of Directors in maintaining oversight of the Company's operations, finance, investments and risk management matters.	Mr. Abdul Latif Ahmed Al Zayani	Non-executive / Non-independent
		Mr. Ayad Abdulla Ahmed Al Sumait	Executive / Non-independent
		Mr. Sulaiman Ghloom Abdullah	Non-executive / Non-independent
Audit Committee	The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Audit Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.	Mr. Mishari Zaid Al Khalid	Non-executive / Non-independent
		Mr. Abdulaziz Abdulla Alisa	Non-executive / Non-independent
		Mr. Hashem S.Al Saif	Non-executive / Non-independent

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

(ii) Committees (continued)

The Company should hold a minimum of two Executive and Audit committee meetings during each year. During the year ended 31 December 2017, five Executive and five Audit committee meetings were held. The following table summarises the information about committee meeting dates and attendance of directors at each meeting;

Executive Committee

Members	15-02-2017	19-04-2017	19-07-2017	18-10-2017	13-12-2017
Mr. Abdul Latif Ahmed Al Zayani	✓	✓	✓	✓	✓
Mr. Ayad Abdulla Ahmed Al Sumait	✓	✓	✓	✓	✓
Mr. Sulaiman Ghloom Abdullah	✓	✓	✓	✓	✓

Audit Committee

Members	15-02-2017	19-04-2017	19-07-2017	18-10-2017	13-12-2017
Mr. Mishari Zaid Al Khalid	✓	✓	✓	✓	✓
Mr. Abdulaziz Abdulla Alisa	✓	✓	✓	✓	✓
Mr. Hashem S.Al Saif	✓	✓	✓	✓	✓

The following table summarises the remuneration for each committee member:

	Remuneration	
	2017	*2016*
Member	***BD***	*BD*
Mr. Abdul Latif Ahmed Al Zayani	**3,750**	3,750
Mr. Ayad Abdulla Ahmed Al Sumait	**3,750**	3,750
Mr. Hashem S.Al Saif	**3,000**	3,000
Mr. Mishari Zaid Al Khalid	**3,750**	3,750
Mr. Sulaiman Ghloom Abdullah	**3,750**	3,750
Mr. Abdulaziz Abdulla Alisa	**3,750**	3,750
	21,750	21,750

(iii) Corporate Governance

Changes to the Company's corporate governance code and guidelines

In 2017, the Company has revisited its corporate governance framework and guidelines to ensure compliance with the Corporate Governance code enacted in 2010.

Conflict of interest:

In 2017, no instances of conflicts of interest have arisen. In the instance of a conflict of interest arising as a result of any business transaction or any type of resolution to be taken, the concerned Board member shall refrain from participating at the discussion of such transaction or resolution to be taken. In this respect, the Company's Board members usually inform the Board of a potential conflict of interest prior to the discussion of any transaction or resolution. The concerned Board member(s) also refrain from voting in any instance where a conflict of interest shall arise.

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

(iii) Corporate Governance (continued)

Evaluation of Board performance

The Annual General Meeting of the Shareholders evaluates on an annual basis the Board of Directors' Performance and absolves it from liabilities.

Chairman and CEO performance

The Chairman and CEO Performance are evaluated by the Board of Directors on an annual basis.

Means of communication with shareholders and investors

The Company is committed to providing relevant and timely information to its shareholders in accordance with its continuous disclosure obligations under the Corporate Governance Code.

Information is communicated to shareholders through the distribution of the Company's Annual Report and other communications. All releases are posted on the Company's website and released to the shareholders in a timely manner.

The Company Secretary is responsible for communications with the Shareholders and ensuring that the Company meets its continuous disclosure obligations.

Management of principal risks and uncertainties faced by the Company.

The management of principal risks and uncertainties faced by the Company is managed by the Executive Committee and the Board of Directors.

Review of internal control processes and procedures

The review of internal control process and procedures is performed regularly by the Company's internal auditors, which is outsourced, to ensure efficiency.

35 SOCIAL RESPONSIBILITY

The Company discharges its social responsibilities through corporate donations and sponsorships on projects and organisations aiming at social sustainable development and relief.

36 COMPARATIVE INFORMATION

Certain of the prior year figures have been reclassified to conform to the current year presentation. Such reclassifications do not affect previously reported retained earnings or equity.