National Hotels Company B.S.C.

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

31 DECEMBER 2018

Building a better working world

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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 2018, and the statements of profit or loss, 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 2018, 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 2018. 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)

<table>
<tr><td colspan="2">Valuation of freehold land carried at revalued amount
Refer to Note 7 to the financial statements</td></tr>
<tr><td>Key audit matter / risk</td><td>How the key audit matter was addressed in the audit</td></tr>
<tr><td>The freehold land represents a significant part of the total assets (16%) of the Company and is measured at fair value of BD 13,779,508 as of 31 December 2018. 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 judgments as disclosed in Note 5 to the financial statements.</td><td>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.</td></tr>
</table>

Other information included in the Company's 2018 annual report

Other information consists of the information included in the Company's 2018 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.

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.

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

Report on the Audit of the Financial Statements (continued)

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.

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

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)

- 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.

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 2018 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 Essa A Al-Jowder.

Ernst + Young

Partner's Registration No. 45
14 February 2019
Manama, Kingdom of Bahrain

National Hotels Company B.S.C.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	*2018* *BD*	*2017* *BD* *Reclassified*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**35,900,777**	32,658,608
Investment properties	8	**37,380,956**	37,962,947
Investment in an associate	9	**7,758,073**	7,709,859
Non-current investments	10	**2,693,435**	4,458,312
Total non-current assets		**83,733,241**	82,789,726
Current assets			
Inventories	11	**76,994**	90,846
Current investments	10	**2,049,470**	44,233
Trade and other receivables	12	**459,838**	1,027,929
Bank balances and cash	13	**175,108**	3,188,049
Total current assets		**2,761,410**	4,351,057
TOTAL ASSETS		**86,494,651**	87,140,783
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 (a)	**1,087,579**	2,190,079
Revaluation reserve	17 (b)	**13,391,305**	13,391,305
Investment revaluation reserve		**2,060,858**	1,825,735
Share of reserves of associate		**102,286**	22,548
Retained earnings		**49,266,801**	48,183,786
Proposed dividend	18	**-**	1,091,747
Proposed bonus shares	18	**1,102,500**	-
Total equity		**83,454,103**	83,147,974
Non-current liability			
Employees' end of service benefits	19	**331,782**	431,406
Total non-current liability		**331,782**	431,406
Current liabilities			
Trade and other payables	21	**2,098,185**	2,318,188
Current portion of term loan	20	**-**	1,243,215
Bank overdraft	13	**610,581**	-
Total current liabilities		**2,708,766**	3,561,403
Total liabilities		**3,040,548**	3,992,809
TOTAL EQUITY AND LIABILITIES		**86,494,651**	87,140,783

Mr Faisal Ahmed Al Zayani
Chairman

Mr Adel N Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 34 form part of these financial statements

National Hotels Company B.S.C.

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	*2018* *BD*	*2017* *BD*
Revenue	22	**6,498,152**	-
Gross operating revenue	22	**-**	7,360,650
Gross operating costs	23	**(4,521,340)**	(4,787,438)
GROSS OPERATING PROFIT		**1,976,812**	2,573,212
Net investment income:			
Share of profit from an associate	9	**1,611,319**	1,665,611
Dividend income		**171,667**	168,700
Interest income		**99,470**	161,985
Fair value gain on investments at fair value through profit or loss - net	10	**5,237**	3,307
		1,887,693	1,999,603
Miscellaneous income	24	**310,827**	395,562
Depreciation	7 & 8	**(2,092,666)**	(2,048,050)
General and administration expenses		**(795,895)**	(580,674)
Financial charges		**(51,394)**	(106,346)
Loss on write-off of property, plant and equipment		**(109,519)**	(55,927)
PROFIT FOR THE YEAR		**1,125,858**	2,177,380
Basic and diluted earnings per share (in fils)	26	**10**	20
Dividend per share (in fils)	18 (c)	**-**	10

Mr Faisal Ahmed Al Zayani
Chairman

Mr Adel N Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 34 form part of these financial statements

National Hotels Company B.S.C.
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	*2018* BD	*2017* BD
Profit for the year		**1,125,858**	2,177,380
Other comprehensive income			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Net movement in fair values of investments at fair value through other comprehensive income during the year	10	**235,123**	(398,824)
Share in associate's other comprehensive income (loss)	9	**36,895**	(26,837)
Other comprehensive income (loss) for the year		**272,018**	(425,661)
Total comprehensive income for the year		**1,397,876**	1,751,719

Mr Faisal Ahmed Al Zayani
Chairman

Mr Adel N Hamadeh
Vice Chairman and Managing Director

National Hotels Company B.S.C.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 BD	2017 BD
OPERATING ACTIVITIES			
Profit for the year		**1,125,858**	2,177,380
Adjustments for:			
Depreciation	7 & 8	**2,092,666**	2,048,050
Write-off of property, plant and equipment		**109,519**	55,927
Share of profit from an associate	9	**(1,611,319)**	(1,665,611)
Fair value gain on investments at fair value through profit or loss - net	10	**(5,237)**	(3,307)
Provision for (reversal of) ECLs	12	**42,011**	(1,416)
Provision for employees' end of service benefits	19	**88,165**	60,800
Dividend income		**(171,667)**	(168,700)
Interest income		**(99,470)**	(161,985)
Interest expense		**50,715**	106,346
Operating profit before working capital changes		**1,621,241**	2,447,484
Working capital changes:			
Inventories		**13,852**	(9,643)
Trade and other receivables		**526,080**	(447,421)
Trade and other payables		**(87,106)**	314,730
Cash flows from operations		**2,074,067**	2,305,150
Directors' remuneration paid	27	**(119,500)**	(179,000)
Employees' end of service benefits paid	19	**(187,789)**	(44,770)
Charitable contributions paid	21	**(39,900)**	(53,000)
Net cash flows from operating activities		**1,726,878**	2,028,380
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(4,694,998)**	(1,560,223)
Dividends received from an associate	9	**1,600,000**	1,500,000
Other dividends received		**171,667**	168,700
Interest received		**99,470**	161,985
Interest paid		**(64,429)**	(128,924)
Net cash flows (used in) from investing activities		**(2,888,290)**	141,538
FINANCING ACTIVITIES			
Dividends paid	18	**(1,091,747)**	(1,310,097)
Repayments of term loan	20	**(1,243,215)**	(2,486,436)
Net cash flows used in financing activities		**(2,334,962)**	(3,796,533)
DECREASE IN CASH AND CASH EQUIVALENTS		**(3,496,374)**	(1,626,615)
Cash and cash equivalents at 1 January		**2,955,006**	4,581,621
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**(541,368)**	2,955,006

Non-cash items:

(i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 536,912 (2017: BD 369,547) has been excluded from the movement of trade and other payables.

(ii) Restricted cash amounting to BD 105,895 (2017: BD 233,043) [note 13] has been excluded from the movement of trade and other payables.

(iii) Interest income of BD 40,544 (2017: BD 40,544) which has been accrued but is not yet due has been excluded from the movement of trade and other receivables.

(iv) Interest expense of BD 13,714 which as been accrued but is not yet due has been excluded from the movement of trade and other payables as of 31 December 2017.

National Hotels Company B.S.C.

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2018

	Notes	Share capital BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Revaluation reserve BD	Investment revaluation reserve BD	Share of reserves of associate BD	Retained earnings BD	Proposed dividend BD	Proposed bonus shares BD	Total BD
As at 1 January 2018		11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	22,548	48,183,786	1,091,747	-	83,147,974
Transfer to retained earnings on adoption of IFRS 9 by an associate	3	-	-	-	-	-	-	42,843	(42,843)	-	-	-
As at 1 January 2018 (restated)		11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	65,391	48,140,943	1,091,747	-	83,147,974
Profit for the year		-	-	-	-	-	-	-	1,125,858	-	-	1,125,858
Other comprehensive income for the year		-	-	-	-	-	235,123	36,895	-	-	-	272,018
Total comprehensive income for the year		-	-	-	-	-	235,123	36,895	1,125,858	-	-	1,397,876
Dividend paid - 2017	18 (a)	-	-	-	-	-	-	-	-	(1,091,747)	-	(1,091,747)
Proposed bonus shares	18 (b)	-	-	-	(1,102,500)	-	-	-	-	-	1,102,500	-
Balance at 31 December 2018		**11,025,000**	**(94,726)**	**5,512,500**	**1,087,579**	**13,391,305**	**2,060,858**	**102,286**	**49,266,801**	**-**	**1,102,500**	**83,454,103**

The attached notes 1 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)

As at 31 December 2018

	Notes	Share capital BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Revaluation reserve BD	Investment revaluation reserve BD	Share of reserves of associate BD	Retained earnings BD	Proposed dividend BD	Proposed bonus shares BD	Total BD
Balance at 1 January 2017		11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	2,224,559	49,385	47,098,153	1,310,097	-	82,706,352
Profit for the year		-	-	-	-	-	-		2,177,380	-	-	2,177,380
Other comprehensive loss for the year		-	-	-	-	-	(398,824)	(26,837)	-	-	-	(425,661)
Total comprehensive income for the year		-	-	-	-	-	(398,824)	(26,837)	2,177,380	-	-	1,751,719
Dividend paid - 2016	18 (a)	-	-	-	-	-	-	-	-	(1,310,097)	-	(1,310,097)
Proposed dividend - 2017	18 (a),	-	-	-	-	-	-	-	(1,091,747)	1,091,747	-	-
Balance at 31 December 2017		11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	22,548	48,183,786	1,091,747	-	83,147,974

The attached notes 1 to 34 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 Company ("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. (2017: 33.33%). For more details, refer to note 9.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2019.

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 equity instruments 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 2018
The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The adoption of IFRS 15 has no material impact on the Company's financial statements.

3 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2018 (continued)
IFRS 15 Revenue from Contracts with Customers (continued)
(a) Sale of goods
The Company's contracts with customers for the sale of food and beverages generally include one performance obligation. The Company has concluded that revenue from sale of food and beverages should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the food and beverages. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(b) Room revenue
Room revenue from hotel operations represents total amounts charged to customers and guests during the period including service charges net of the portion applicable to employees as and where applicable, plus unbilled guests ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances. These services are sold either separately or bundled together with the sale of food and beverages to a customer. Under IFRS 15, the Company concluded that room revenue from hotel operations will continue to be recognised over time, commensurate with the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from the sale of the food and beverages will continue to be recognised at a point in time, upon delivery of the food and beverages.

(c) Advances received from customers
Generally, the Company receives short-term advances from its customers. Upon the adoption of IFRS 15, for short-term advances, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer will be one year or less.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 prospectively, with the initial application date of 1 January 2018. The Company has not restated the comparative information, with continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 has been recognised directly in retained earnings and other components of equity.

The nature of these reclassifications are described below:

(a) Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

3 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2018 (continued)
IFRS 9 Financial Instruments (continued)
(a) Classification and measurement (continued)

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. Except for quoted debt instruments, the Company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Company's financial assets:

- Trade receivables classified as *Loans and receivables as at* 31 December 2017 and quoted debt instruments classified as *Available-for-sale (AFS) financial assets* as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as *Debt instruments at amortised cost* beginning 1 January 2018.
- Equity investments in non-listed companies classified as *AFS financial assets* as at 31 December 2017 are classified and measured as *Equity instruments designated at FVOCI* beginning 1 January 2018. The Company elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.
- Listed equity investments previously classified as *AFS financial assets* as at 31 December 2017 are classified and measured as Financial assets at *FVPL* beginning 1 January 2018.

As a result of the change in classification of the Company's equity investments, the fair value losses of BD 42,843 related to those investments that were previously presented under share of reserves of associate, were reclassified to Retained earnings as at 1 January 2018.

The Company has not designated any financial liabilities at FVPL. There are changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company has the following required or elected reclassifications:

As at 1 January 2018		***IFRS 9 measurement category***		
			Amortised	
		FVPL	***cost***	***FVOCI***
	BD	***BD***	***BD***	***BD***
IAS 39 measurement category				
Loans and receivables				
Trade receivables	262,959	-	262,959	-
Available-for-sale investments				
Quoted equity investments	2,147,512	-	-	2,147,512
Unquoted equity investments	310,800	-	-	310,800
Quoted debt instruments	2,000,000	-	2,000,000	-
Held-for-trading investments				
Quoted equity investments	44,233	44,233	-	-
		44,233	**2,262,959**	**2,458,312**

3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt not held at FVPL and contract assets.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payment are 150 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The impact of adoption of IFRS 9 on the Company's financial statements was disclosed above in this section.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- *IFRS 2 Share-based Payment (Amendments): Classification and Measurement of Share-based Payment Transactions*
- *IFRS 4 Insurance Contracts (Amendments): Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- *IAS 40 Investment Property (Amendments): Transfers of Investment Property*
- *IFRIC 22 Foreign Currency Transactions and Advance Considerations*

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)
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

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties are properties held to earn rentals or for capital appreciation or both and are carried at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over 40 years, being the estimated useful life of buildings.

The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met, and excludes the day to day servicing of investment properties.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on the retirement or disposal of investment properties are recognised in the statement of comprehensive income in the year of retirement or disposal.

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 weighted average basis.

Financial instruments
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 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 4 "Revenue from contracts with customers".

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and debt intruments.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expire; 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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 150 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Also, refer to note 3 "Changes in accounting policies".

Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies in note 4 "Financial assets".

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

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 at the reporting 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.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit and loss are also recognised in OCI or profit and loss, respectively).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

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:

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 Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of trade and other receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of trade and other receivables (continued)

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 29.

At the reporting date, gross trade accounts receivable were BD 273,824 (2017: BD 282,966) and the provision for ECLs was BD 62,018 (2017: BD 20,007). 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.

At the reporting date, gross food and beverage inventories were BD 53,677 (2017: BD 59,689) and general stores of BD 23,317 (2017: BD 31,157), and there was no allowance for old and obsolete inventories (2017: same). 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 at least once in every three years. The Company engaged an independent valuation specialist to assess the fair value of the freehold land as at 31 December 2018. 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 2018 and 31 December 2017.

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.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 Company 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 2018 and 31 December 2017.

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:

- *IFRS 9 Financial Instruments (Amendments): Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)*
- *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 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)*
- *IAS 19 Employee Benefits (Amendments): Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)*
- *IAS 28 Investment in Associates and Joint Ventures (Amendments): Long-term interests in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019)*

Annual Improvements 2015-2017 Cycle

- *IFRS 3 Business Combinations - Previously held Interests in a joint operation (effective for annual periods beginning on or after 1 January 2019)*
- *IFRS 11 Joint Arrangements - Previously held Interests in a joint operation (effective for annual periods beginning on or after 1 January 2019)*
- *IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity (effective for annual periods beginning on or after 1 January 2019)*
- *IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization (effective for annual periods beginning on or after 1 January 2019)*

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements of the Company, its impact is described below:

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company is currently assessing the potential impact of IFRS 16 and plans to adopt the new standard on the required effective date.

IAS 28 Investment in Associates and Joint Ventures (Amendments): Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

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 2018	13,779,508	29,791,341	2,731,493	3,000,918	8,242,444	1,863,462	59,409,166
Additions	-	-	16,546	20,047	43,493	4,782,277	4,862,363
Transfer of capital work-in-progress	-	-	4,010,009	2,188,021	300,347	(6,498,377)	-
Write-offs	-	-	-	(995,448)	(95,238)	-	(1,090,686)
At 31 December 2018	13,779,508	29,791,341	6,758,048	4,213,538	8,491,046	147,362	63,180,843
Depreciation:							
At 1 January 2018	-	17,475,949	1,315,102	2,606,132	5,353,375	-	26,750,558
Charge for the year	-	745,136	268,139	60,804	436,596	-	1,510,675
Relating to write-offs	-	-	-	(885,929)	(95,238)	-	(981,167)
At 31 December 2018	-	18,221,085	1,583,241	1,781,007	5,694,733	-	27,280,066
Net carrying amounts:							
At 31 December 2018	**13,779,508**	**11,570,256**	**5,174,807**	**2,432,531**	**2,796,313**	**147,362**	**35,900,777**

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	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	13,779,508	29,791,341	2,649,080	3,596,490	8,133,646	164,738	58,114,803
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	13,779,508	29,791,341	2,731,493	3,000,918	8,242,444	1,863,462	59,409,166
Depreciation:							
At 1 January 2017	-	16,730,728	1,091,680	3,114,309	4,904,628	-	25,841,345
Charge for the year	-	745,221	223,422	39,569	457,847	-	1,466,059
Relating to write-offs	-	-	-	(547,746)	(9,100)	-	(556,846)
At 31 December 2017	-	17,475,949	1,315,102	2,606,132	5,353,375	-	26,750,558
Net carrying amounts:							
At 31 December 2017	13,779,508	12,315,392	1,416,391	394,786	2,889,069	1,863,462	32,658,608

Freehold land was revalued on 19 December 2018 by an independent property valuer. As per the revaluation, the value of freehold land of BD 13,779,508 (2017: 13,779,508) as of 31 December 2018 approximates its fair value and hence no revaluation adjustment has been charged to the revaluation reserve [note 17 (b)].

The carrying amount of freehold land, if carried at cost, would be BD 300,000 (2017: BD 300,000).

8 INVESTMENT PROPERTIES

	Freehold land BD	*Building BD*	*Total BD*
Cost as at 1 January 2018 and as at 31 December 2018	17,994,710	23,279,628	41,274,338
Depreciation:			
At 1 January 2018	-	3,311,391	3,311,391
Charge for the year	-	581,991	581,991
At 31 December 2018	-	3,893,382	3,893,382
Net carrying amounts:			
At 31 December 2018	**17,994,710**	**19,386,246**	**37,380,956**

	Freehold land BD	*Building BD*	*Total BD*
Cost as at 1 January 2017 and as at 31 December 2017	17,994,710	23,279,628	41,274,338
Depreciation:			
At 1 January 2017	-	2,729,400	2,729,400
Charge for the year	-	581,991	581,991
At 31 December 2017	-	3,311,391	3,311,391
Net carrying amounts:			
At 31 December 2017	17,994,710	19,968,237	37,962,947

The investment properties were valued by an independent valuer on 19 December 2018 and their fair value amounted to BD 40,394,710 (2017: BD 40,570,512) as of 31 December 2018. The fair value was measured under level 3 fair value hierarchy (note 30).

9 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2017: 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:

	***2018* BD**	*2017 BD*
At 1 January	**7,709,859**	7,571,085
Share of profit during the year	**1,611,319**	1,665,611
Dividends received during the year	**(1,600,000)**	(1,500,000)
Share in associate's other comprehensive income (loss)	**36,895**	(26,837)
At 31 December	**7,758,073**	7,709,859

9 INVESTMENT IN AN ASSOCIATE (continued)

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

	2018 BD	*2017 BD*
Current assets	**6,400,868**	8,570,520
Non-current assets	**17,772,067**	15,889,807
Current liabilities	**(1,384,164)**	(1,847,562)
Non-current liabilities	**(268,280)**	(236,928)
Equity	**22,520,491**	22,375,837
Proportion of the Company's ownership	**33.33%**	33.33%
Share of the associate's net assets	**7,506,080**	7,457,866
Goodwill on investment	**251,993**	251,993
Carrying amount of the investment	**7,758,073**	7,709,859

	2018 BD	*2017 BD*
Revenue	**16,444,784**	16,827,224
Cost of sales	**(9,650,114)**	(10,606,061)
Other income	**705,487**	700,622
Administrative expenses	**(2,665,721)**	(1,924,456)
Profit for the year	**4,834,436**	4,997,329
Company's share of profit for the year	**1,611,319**	1,665,611

As at 31 December 2018, the associate had contingent liabilities arising in the ordinary course of business which includes outstanding letter of guarantee and tender cheques amounting to BD 5,500 (2017: BD 3,481).

10 INVESTMENTS

	2018 BD	*2017 BD*
Debt instruments at amortised cost (i)	**2,000,000**	2,000,000
Equity investments at FVOCI		
Quoted equity investments (ii) (note 30)	**2,346,924**	2,147,512
Unquoted equity investments (iii) (note 30)	**346,511**	310,800
Equity investments at FVPL		
Quoted equity investments (iv) (note 30)	**49,470**	44,233
	4,742,905	4,502,545
Total current	**2,049,470**	44,233
Total non-current	**2,693,435**	4,458,312
	4,742,905	4,502,545

10 INVESTMENTS (continued)

(i) The balance relates to Government of Bahrain Development Bonds that are scheduled to mature in July 2019 and does not include accrued interest which is presented in trade and other receivables.

(ii) The movement in the quoted equity investments of FVOCI is as follows:

	2018	*2017*
	BD	*BD*
Balance at 1 January	**2,147,512**	2,546,336
Fair value gain (loss) - net for the year	**199,412**	(398,824)
	2,346,924	2,147,512

(iii) The movement in the unquoted equity investments of FVOCI is as follows:

	2018	*2017*
	BD	*BD*
Balance at 1 January	**310,800**	310,800
Fair value gain - net for the year	**35,711**	-
	346,511	310,800

(iv) The movement in quoted equity investments at FVPL of BD 5,237 (2017: BD 3,307) pertains to fair value gain - net.

For fair value hierarchy of the Company's investments, refer to note 30.

11 INVENTORIES

	2018	*2017*
	BD	*BD*
Food and beverages	**53,677**	59,689
General stores	**23,317**	31,157
	76,994	90,846

The amount of inventories recognised as expenditure in gross operating costs during the year amounted to BD 522,264 (2017: BD 658,348).

12 TRADE AND OTHER RECEIVABLES

	2018 *BD*	*2017* *BD*
Trade receivables		
-third parties	**270,647**	281,410
-related parties (note 27)	**3,177**	1,556
Less: Provision for ECLs	**(62,018)**	(20,007)
	211,806	262,959
Accrued receivables	**105,466**	40,544
Prepaid expenses		
-third parties	**102,877**	113,123
-related parties (note 27)	**15,894**	29,169
Advances to supplier and contractors	**19,496**	575,829
Other receivables	**4,299**	6,305
	459,838	1,027,929

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 due upon invoicing. For terms and conditions relating to related party receivables, refer to note 27.

As at 31 December 2018, trade receivables with a nominal value of BD 62,018 (2017: BD 20,007) were impaired. Movements in the allowance for ECLs of receivables were as follows:

	2018 *BD*	*2017* *BD*
At 1 January	**20,007**	21,423
Provision for (reversal of) ECLs for the year	**42,011**	(1,416)
At 31 December	**62,018**	20,007

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

		Past due but not impaired				
	Total *BD*	*Less than 31 days* *BD*	*31 to 60 days* *BD*	*61 to 90 days* *BD*	*91 to 120 days* *BD*	*More than 120 days* *BD*
2018	**211,806**	**147,167**	**62,642**	**1,997**	**-**	**-**
2017	262,959	144,823	37,052	26,166	25,537	29,381

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:

	2018	*2017*
	BD	*BD*
Cash on hand	**8,013**	7,265
Cash at banks	**167,095**	3,180,784
Bank balances and cash	**175,108**	3,188,049
Bank overdraft	**(610,581)**	-
Restricted cash	**(105,895)**	(233,043)
Cash and cash equivalents as per the statement of cash flows	**(541,368)**	2,955,006

The Company has two bank overdraft facilities of BD 2 million and BD 3 million, respectively, to finance working capital requirements that were granted by financial institutions in the Kingdom of Bahrain. Both facilities bear interest of 3.5% per annum above one month Bahrain Interbank Offered Rate charged monthly.

14 SHARE CAPITAL

	2018	*2017*
	BD	*BD*
Authorised:		
150,000,000 (2017: 150,000,000) ordinary shares of BD 0.100 each	**15,000,000**	15,000,000
Issued and fully paid:		
110,250,000 (2017: 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 2018, the Company had purchased 1,075,256 shares (2017: 1,075,256 shares) with acquisition cost of BD 94,726 (2017: BD 94,726) and market value of BD 301,072 (2017: BD 301,072). These shares represents 0.98% of the total outstanding shares as at 31 December 2018 and 31 December 2017.

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 (2017: nil) as the statutory reserve has reached 50% of the issued and paid up share capital.

17 GENERAL AND REVALUATION RESERVES

a) *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.

b) *Revaluation reserve*

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

18 DIVIDENDS

a) *Proposed and paid dividends*

At the annual general meeting of the shareholders held on 29 March 2018, the shareholders of the Company resolved to distribute cash dividends of 10 fils per share, relating to 2017 amounting to BD 1,091,747 which was paid on April 2018 from retained earnings (2017: 12 fils per share, relating to 2016 amounted to BD 1,310,097).

The Board of Directors on 14 February 2019 has not proposed cash dividends (2017: cash dividend of 10 fils per share totalling BD 1,091,747).

b) *Proposed bonus shares*

The Board of Directors has proposed to issue 11,025,000 shares (2017: nil) as bonus shares to the Company's shareholders, which is subject to the approval of the shareholders at the Annual General Meeting.

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:

	2018	*2017*
Dividend for the year in BD	-	1,091,747
Number of eligible shares as at 31 December	-	109,174,743
Dividend per share–fils	-	10

19 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:

	2018 BD	*2017 BD*
Provision as at 1 January	**431,406**	415,376
Provided during the year (note 25)	**88,165**	60,800
End of service benefits paid	**(187,789)**	(44,770)
Provision as at 31 December	**331,782**	431,406

20 TERM LOAN

	2018 BD	2017 BD
Current liability of term loan	-	1,243,215
As at 1 January	**1,243,215**	3,729,651
Repayment	**(1,243,215)**	(2,486,436)
As at 31 December	-	1,243,215

The Company has initially 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 term loan was secured by a mortgage over the freehold land, buildings and improvements to buildings. The term loan was repaid in full on 12 July 2018. The effective interest rate at 31 December 2017 was 3.83%.

21 TRADE AND OTHER PAYABLES

	2018 BD	2017 BD
Retentions payable (note 29)	**531,683**	119,253
Accrued expenses	**494,782**	458,391
Trade payables (note 29)	**307,728**	446,435
Dividends payable (note 29)	**237,289**	233,043
Amounts due to related parties (note 27 and 29)	**303,053**	279,102
Advances from customers	**124,400**	145,912
Provision for charitable contributions	**48,250**	58,150
Construction contractors payable (note 29)	**29,401**	536,612
Contract liability	**21,599**	22,758
Interest payable (note 29)	-	13,714
Other payables (note 29)	-	4,818
	2,098,185	2,318,188

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:

	2018 BD	2017 BD
Provision as at 1 January	**58,150**	81,150
Amount provided during the year	**30,000**	30,000
Charitable contributions paid	**(39,900)**	(53,000)
Provision as at 31 December	**48,250**	58,150

22 REVENUE (INCLUDING THAT FROM CONTRACTS WITH CUSTOMERS) / GROSS OPERATING REVENUE

	2018 *BD*	*2017* *BD*
Hotel rooms	**1,760,962**	2,141,170
Food and beverages	**1,788,826**	2,303,317
Serviced apartments	**1,516,266**	1,533,273
Rental income from office towers	**1,160,517**	1,100,426
Other departments	**271,581**	282,464
	6,498,152	7,360,650

23 GROSS OPERATING COSTS

	2018 *BD*	*2017* *BD*
Food and beverages	**1,086,344**	1,341,639
Room related expenses	**573,148**	530,414
Serviced apartments related expenses	**494,601**	494,264
Expenses related to office towers	**304,974**	301,053
Other operating departments	**2,062,273**	2,120,068
	4,521,340	4,787,438

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

	2018 *BD*	*2017* *BD*
Payroll and related expenses (note 25)	**1,873,416**	1,935,024
Overhead expenses	**536,668**	510,676
Consumption of inventories	**522,264**	658,348
Utilities, insurance and taxes	**431,982**	455,248
Repairs and maintenance	**220,561**	189,035
Commission expenses	**204,284**	204,058
Management fees (note 27)	**111,122**	138,240
Sales and marketing	**85,392**	145,078
Others	**535,651**	551,731
	4,521,340	4,787,438

24 MISCELLANEOUS INCOME

	2018 *BD*	*2017* *BD*
Rental income	**259,200**	240,000
Other (i)	**51,627**	155,562
	310,827	395,562

(i) In 2017, reversal of provisions no longer required amounted to BD 113,213.

25 STAFF COSTS

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

	2018	*2017*
	BD	*BD*
Salaries and wages	**1,061,782**	1,102,441
Employees' end of service benefits (note 19)	**88,165**	60,800
Contributions to the Social Insurance Organisation scheme:		
- Bahrainis	**59,340**	57,721
- Non-Bahrainis	**20,855**	22,209
Other staff expenses and benefits	**1,159,522**	977,499
	2,389,664	2,220,670

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

	2018	*2017*
	BD	*BD*
Gross operating costs (note 23)	**1,873,416**	1,935,024
General and administration expenses	**516,248**	285,646
	2,389,664	2,220,670

26 BASIC AND DILUTED EARNINGS PER SHARE

	2018	*2017*
Profit for the year - BD	**1,125,858**	2,177,380
Weighted average shares in issue - net of treasury shares	**109,174,743**	109,174,743
Basic and diluted earnings per share - in fils	**10**	20

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

27 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.

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2018			
	Purchases BD	***Fees for management services BD***	***Other expenses BD***	***Revenue and other income BD***
Associated company	**69,451**	**-**	**-**	**2,000**
Management company (Rezidor)	**-**	**111,122**	**41,945**	**-**
Directors	**-**	**-**	**171,500**	**4,788**
	69,451	**111,122**	**213,445**	**6,788**

	2017			
	Purchases BD	*Fees for management services BD*	*Other expenses BD*	*Revenue and other income 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

Balances with related parties included in the statement of financial position (note 12 and note 21) are as follows:

	2018		*2017*	
	Receivables BD	***Payables BD***	*Receivables BD*	*Payables BD*
Associated company	**-**	**18,318**	-	15,588
Management company (Rezidor)	**15,894**	**165,235**	29,169	143,514
Directors	**3,177**	**119,500**	1,556	120,000
	19,071	**303,053**	30,725	279,102

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 2018 amounted to BD 119,000 (2017: BD 120,000) which only includes the basic fees. Further, the directors' remuneration paid during the year amounted to BD 119,500 (2017: BD 179,000).

27 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:

	2018	*2017*
	BD	*BD*
Short-term benefits	**138,586**	177,037
Post-employment benefits	**218,646**	14,400
	357,232	191,437

28 COMMITMENTS

The Board of Directors have not authorised any future capital expenditure as of the reporting date (2017: BD 4.65 million pertaining to refurbishment of hotel rooms and lobby).

29 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. It is also 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

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's term loan and overdraft facilities with floating interest rates.

An increase in the interest rate on the outstanding overdraft facilities by 100 basis points with all other variables held constant, would have changed the profit for the year by an immaterial amount.

An increase in the interest rate on the outstanding term loan for the year ended 31 December 2017 by 100 basis points with all other variables held constant, would have decreased the profit for the year by BD 12,432. 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.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Company is exposed to credit risk on certain portion of its 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.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

31 December 2018

		Days past due				
	Total *BD*	*Less than 31 days* *BD*	*31 to 60 days* *BD*	*61 to 90 days* *BD*	*91 to 120 days* *BD*	*More than 120 days* *BD*
ECL rate		**5.72%**	**9.62%**	**36.60%**	**74.27%**	**89.15%**
Estimated total gross carrying amount at default	**273,824**	**147,167**	**62,642**	**15,898**	**7,672**	**40,445**
ECL	**62,018**	**8,418**	**6,026**	**5,819**	**5,698**	**36,057**

The Company provides its services to a large number of customers. Its five largest customers account for 35% of outstanding trade receivables at 31 December 2018 (2017: 27%).

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 2018				
Dividends payable (note 21)	**237,289**	**-**	**-**	**237,289**
Retentions payable (note 21)	**531,683**	**-**	**-**	**531,683**
Construction contractors payable (note 21)	**-**	**29,401**	**-**	**29,401**
Trade payables (note 21)	**-**	**307,728**	**-**	**307,728**
Amounts due to related parties (note 21 and 27)	**-**	**303,053**	**-**	**303,053**
Total	**768,972**	**640,182**	**-**	**1,409,154**

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Less than 3 months BD	*3 to 12 months BD*	*1 to 5 years BD*	*Total BD*
31 December 2017				
Dividends payable (note 21)	233,043	-	-	233,043
Retentions payable (note 21)	119,253	-	-	119,253
Interest payable (note 21)	13,714	-	-	13,714
Construction contractors payable (note 21)	-	536,612	-	536,612
Other payables (note 21)	-	4,818	-	4,818
Trade payables (note 21)	-	446,435	-	446,435
Amounts due to related parties (note 21 and 27)	-	279,102	-	279,102
Term loan (note 21)	633,420	627,511	-	1,260,931
Total	999,430	1,894,478	-	2,893,908

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 2018 (2017: same). 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 2018 BD	***Effect on equity 2018 BD***	***Effect on profit 2018 BD***	*Change in equity price 2017 BD*	*Effect on equity 2017 BD*	*Effect on profit 2017 BD*
Equity investments at FVOCI	**+20%**	**538,687**	-	+20%	491,662	-
	-20%	**(538,687)**	-	-20%	(491,662)	-
Equity investments at FVPL	**+20%**	-	**9,894**	+20%	-	8,847
	-20%	-	**(9,894)**	-20%	-	(8,847)

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)
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.

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 2018 and 31 December 2017.

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.

	2018	*2017*
	BD	*BD*
Interest-bearing term loan (note 20)	**-**	1,243,215
Trade and other payables (note 21)	**2,098,185**	2,318,188
Cash and cash equivalents (note 13)	**541,368**	(2,955,006)
Net debt	**2,639,553**	606,397
Total capital (total equity)	**83,454,103**	83,147,974
Capital and net debt	**86,093,656**	83,754,371
Gearing ratio	**3%**	1%

30 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.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities as at 31 December 2018 and 31 December 2017:

		Fair value measurement using			
31 December 2018	***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:					
Equity investments at FVOCI	*31 December 2018*	**2,346,924**	**-**	**346,511**	**2,693,435**
Equity investments at FVPL	*31 December 2018*	**49,470**	**-**	**-**	**49,470**
Revalued freehold land	*19 December 2018*	**-**	**-**	**13,779,508**	**13,779,508**

		Fair value measurement using			
31 December 2017	*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:					
Equity investments at FVOCI	*31 December 2017*	2,147,512	-	310,800	2,458,312
Equity investments at FVPL	*31 December 2017*	44,233	-	-	44,233
Revalued freehold land	*2 March 2017*	-	-	13,779,508	13,779,508

During the years ended 31 December 2018, and 31 December 2017, 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 2018 (2017: same) which is under Level 3 fair value hierarchy. For fair value hierarchy and disclosure of fair value information for assets for which fair value is required to be disclosed, refer to note 8.

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.

31 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, debt and equity 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, 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*	
	2018 BD	*2017 BD*	***2018 BD***	*2017 BD*	***2018 BD***	*2017 BD*	***2018 BD***	*2017 BD*
Revenue	**5,337,635**	-	**1,160,517**	-	**-**	-	**6,498,152**	-
Gross operating revenue	**-**	6,260,224	**-**	1,100,426	**-**	-	**-**	7,360,650
Gross operating costs	**(4,216,366)**	(4,486,385)	**(304,974)**	(301,053)	**-**	-	**(4,521,340)**	(4,787,438)
Gross operating profit	**1,121,269**	1,773,839	**855,543**	799,373	**-**	-	**1,976,812**	2,573,212
Net investment income	**-**	-	**-**	-	**1,887,693**	1,999,603	**1,887,693**	1,999,603
Miscellaneous income	**310,827**	395,562	**-**	-	**-**	-	**310,827**	395,562
Depreciation	**(1,229,038)**	(1,186,057)	**(863,628)**	(861,993)	**-**	-	**(2,092,666)**	(2,048,050)
General and administration expenses	**(795,895)**	(580,674)	**-**	-	**-**	-	**(795,895)**	(580,674)
Financial charges	**(40,910)**	(86)	**(10,484)**	(106,260)	**-**	-	**(51,394)**	(106,346)
Loss on write-off of property, plant and equipment	**(109,519)**	(55,927)	**-**	-	**-**	-	**(109,519)**	(55,927)
(Loss) profit for the year	**(743,266)**	346,657	**(18,569)**	(168,880)	**1,887,693**	1,999,603	**1,125,858**	2,177,380
Total assets	**34,577,149**	31,289,016	**39,241,416**	40,451,314	**12,676,086**	15,400,453	**86,494,651**	87,140,783
Total liabilities	**2,926,076**	2,620,634	**114,472**	1,372,175	**-**	-	**3,040,548**	3,992,809
Capital expenditure	**4,862,363**	1,907,136	**-**	-	**-**	-	**4,862,363**	1,907,136

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.

32 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:

		2018		2017	
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 & Military	Bahraini	**35,444,975**	**32.15%**	35,444,975	32.15%
Kuwait Investment Company	Kuwaiti	**23,090,302**	**20.94%**	23,090,302	20.94%

b) Distribution of share capital is as follows:

Category	*No. of shares*	*No. of shareholders*	*% of total outstanding share capital*
As of 31 December 2018:			
Less than 1%	**9,177,999**	**3,990**	**8.32%**
1% up to less than 5%	**5,254,300**	**3**	**4.77%**
5% up to less than 10%	**-**	**-**	**0.00%**
10% up to less than 20%	**-**	**-**	**0.00%**
20% up to less than 50%	**94,742,445**	**3**	**85.93%**
	109,174,744	**3,996**	**99.02%**
Treasury shares	**1,075,256**	**1**	**0.98%**
	110,250,000	**3,997**	**100%**
As of 31 December 2017:			
Less than 1%	6,692,633	3,990	6.07%
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%	94,742,445	3	85.93%
	109,174,744	3,997	99.02%
Treasury shares	1,075,256	1	0.98%
	110,250,000	3,998	100%

Directors ownership interest

Mr. Faisal Ahmed Al Zayani (Chairman of the Company) holds 217,775 (31 December 2017: 217,775) shares in the Company as at 31 December 2018 representing 0.20% (31 December 2017: 0.20%) holding in the Company.

33 SOCIAL RESPONSIBILITY

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

34 COMPARATIVE INFORMATION

Certain comparative information in the statement of financial position, statement of cash flows and statement of changes in equity have been reclassified to conform to the current period presentation, in addition to reclassifications relating to IFRS 9 adoption which are disclosed in note 3. Such reclassifications do not affect previously reported profit or equity.