

**Gulf Hotels Group
B.S.C**

**CONSOLIDATED FINANCIAL STATEMENTS
31 December 2018**

**Consolidated Financial Statements
For the year ended 31 December 2018**

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GENERAL INFORMATION

Gulf Hotels Group B.S.C. ("the Company") is a public joint stock company domiciled in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 950.

SHARE CAPITAL

Authorised : BD 30,000,000 (2017: BD 30,000,000) divided into
300,000,000 shares (2017: 300,000,000 shares) of 100 fils each
Issued and fully paid-up : BD 22,599,487 (2017: BD 22,599,487)

BOARD OF DIRECTORS

: Farouk Yousuf Almoayyed (Chairman)
: Fawzi Ahmed Kanoo (Vice Chairman)
: Mohamd Husain Ali Yateem
: Khalid Mohamed Kanoo
: Ahmed Mohamed Ali Mohamed Janahi
: Peter Cook
: Khalid Hussain Ali Mohammed Taqi
: Mohammed Jassim Buzizi
: Adel Husain Mahdi Al Maskati
: Jassim Abdulaal

EXECUTIVE COMMITTEE

: Mohamed Husain Ali Yateem (Chairman)
: Fawzi Ahmed Kanoo (Vice Chairman)
: Ahmed Mohamed Ali Mohamed Janahi
: Mohammed Jassim Buzizi

CORPORATE GOVERNANCE COMMITTEE

: Farouk Yousuf Almoayyed (Chairman)
: Peter Cook
: Jassim Abdulaal

AUDIT COMMITTEE

: Jassim Abdulaal (Chairman)
: Khalid Mohamed Kanoo
: Khalid Hussain Ali Mohammed Taqi
: Adel Husain Mahdi Al Maskati

INVESTMENT COMMITTEE

: Farouk Yousuf Almoayyed (Chairman)
: Mohamed Husain Ali Yateem
: Ahmed Mohamed Ali Mohamed Janahi
: Khalid Hussain Ali Mohammed Taqi

Gulf Hotels Group B.S.C

GENERAL INFORMATION (Continued)

**REMUNERATION
COMMITTEE**

: Farouk Yousuf Almoayyed (Chairman)
: Mohammed Jassim Buzizi
: Jassim Abdulaal

MANAGEMENT

: Garfield Jones Chief Executive Officer
: Suresh Surana Chief Financial Officer

BOARD'S SECRETARY

: Shaheed Elaiwi

OFFICE

: Gulf Hotels Building
Telephone +973 17746446, Fax +973 17716566
P.O. Box 580
Manama, Kingdom of Bahrain
www.gulfhotelsgroup.com
info@gulfhotelsgroup.com

AUDITORS

: KPMG Fakhro

BANKERS

: NBB
: Mashreq Bank
: BBK
: AUB
: Standard Chartered Bank
: NBK
: SICO

REGISTRARS

: Karvy Computershare WLL
Office No 74 , Al Zamil Tower
Manama , Kingdom of Bahrain

LISTING

: Bahrain Bourse



KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443⁴
Website: www.kpmg.com/bh
CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Gulf Hotels Group BSC

Manama, Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Gulf Hotels Group BSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property and equipment

(refer to notes 2d and 4 in the consolidated financial statements)

Description	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> of the significance of property and equipment (representing 72% of total assets); and Assessment of indicators of impairment and estimation of recoverable amount by the Group involves judgement and estimation uncertainty. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Understanding the Group's process of identifying possible indicators (both internal and external) of impairment of the property and equipment; Assessing the parameters used by the Group to identify indicators of impairment to ensure that these are reasonable; Where indicators of impairment have been identified and an impairment assessment of the property has been performed by management, involving our own specialists to assist us in performing the following procedures: <ul style="list-style-type: none"> assessing the appropriateness of the methodology used in compliance with the requirements of the relevant accounting standards; challenging the key assumptions used in estimating the recoverable amount of the property; and agreeing the data used in the impairment assessment calculations to the underlying source documents. evaluating the adequacy of the Group's disclosures related to impairment of property and equipment in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 18 February 2018.

Other information

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

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

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

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

Responsibilities of the board of directors for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Jaafar AlQubaiti.

KPMG Fakhro
Partner registration number 83
13 February 2019

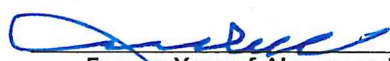


CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2018

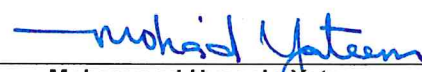
Bahraini Dinars


	Note	31 December 2018	31 December 2017
ASSETS			
Property and equipment	4	102,538,484	56,862,035
Investment properties	5	797,676	846,282
Investment in associates	6	9,563,532	9,910,532
Investment securities	7	13,870,550	12,493,482
Non-current assets		126,770,242	80,112,331
Inventories	8	3,439,004	3,531,672
Trade receivables	9	1,950,625	1,547,001
Other assets and prepayments	10	2,884,172	1,591,122
Cash and bank balances	11	6,600,498	34,185,869
Current assets		14,874,299	40,855,664
Total assets		141,644,541	120,967,995
EQUITY			
Share capital	12	22,599,487	22,599,487
Share premium	12	17,514,442	17,514,442
Treasury shares	12	(33,248)	(33,248)
Other reserves	13	23,437,131	28,441,823
Retained earnings		50,166,694	43,246,229
Total equity		113,684,506	111,768,733
LIABILITIES			
Employees' end of service benefits	14	2,137,984	2,064,155
Non-current portion of bank loan	15	14,000,000	-
Non-current liabilities		16,137,984	2,064,155
Trade payables	16	2,063,973	2,031,330
Accrued expenses and other liabilities	16	5,758,078	5,103,777
Current portion of bank loan	15	4,000,000	-
Current liabilities		11,822,051	7,135,107
Total liabilities		27,960,035	9,199,262
TOTAL EQUITY AND LIABILITIES		141,644,541	120,967,995

The consolidated financial statements were approved by the board of directors on 13 February 2019 and signed on its behalf by:


Farooq Yousuf Almoayyed
 Chairman


Garfield Jones
 Chief Executive Officer


Mohammed Hussain Yateem
 Director & Chairman, Executive
 Committee


Suresh Surana
 Chief Financial Officer

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

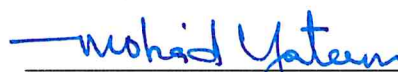
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018


Bahraini Dinars

	Note	2018	2017
Revenue	17	35,111,278	37,261,496
Direct operating costs	18	(22,388,431)	(23,905,875)
Gross profit from hotel operations		12,722,847	13,355,621
Dividend income		835,664	856,283
Share of profit from associates	6	1,316,919	1,951,332
Interest income		355,726	703,518
Loss on sale of investment securities		-	(22,036)
Impairment loss on investment securities	7	-	(131,304)
Management fee and other income	19	3,422,953	1,022,422
Total investment and other income		5,931,262	4,380,215
Depreciation	4,5	(5,690,528)	(4,624,272)
Interest expense	15	(419,837)	-
Pre-operating project expenses	21	(1,057,899)	-
Impairment allowance on trade receivables	9	(39,480)	(12,132)
Impairment of property and equipment	4	(1,058,519)	-
General and administration expenses	20	(3,466,331)	(2,063,417)
Total expenses		(11,732,594)	(6,699,821)
Profit for the year		6,921,515	11,036,015
Basic and diluted earnings per share (fils)	12	31	49


Farooq Yousuf Almoayyed
 Chairman


Mohammed Hussain Yateem
 Director & Chairman, Executive Committee


Garfield Jones
 Chief Executive Officer


Suresh Surana
 Chief Financial Officer

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
Bahraini Dinars

	Note	2018	2017
Profit for the year		6,921,515	11,036,015
Other comprehensive income:			
<i>Items that will not be classified to profit or loss:</i>			
Investment securities at FVOCI – net change in fair value	7	472,998	-
		472,998	-
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Available for sale financial assets – Net change in fair value		-	(375,444)
Share of fair value reserve of associate	6	37,081	(24,991)
Other comprehensive income for the year		510,079	(400,435)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,431,594	10,635,580

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Bahraini Dinars

	Share capital	Share Premium	Treasury shares	Other reserves					Retained earnings	Total equity
				Statutory reserve	General reserve	Charity Reserve	Fair value reserve	Proposed dividend		
2018										
As at 31 December 2017	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	3,127,358	6,776,623	43,246,229	111,768,733
Impact of adopting IFRS 9 as at 1 January 2018 (note 2f)	-	-	-	-	-	-	1,260,802	-	-	1,260,802
Share of impact of adopting IFRS 9 of associated companies as at 1 January 2018	-	-	-	-	-	-	42,843	-	(42,843)	-
Restated balances as at 1 January 2018	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	4,431,003	6,776,623	43,203,386	113,029,535
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	6,921,515	6,921,515
Other comprehensive income for the year	-	-	-	-	-	-	510,079	-	-	510,079
Total comprehensive income for the year	-	-	-	-	-	-	510,079	-	6,921,515	7,431,594
- Realised profit on sale of investments	-	-	-	-	-	-	(41,793)	-	41,793	-
- Dividends declared for 2017	-	-	-	-	-	-	-	(6,776,623)	-	(6,776,623)
At 31 December 2018	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	4,899,289	-	50,166,694	113,684,506

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)***For the year ended 31 December 2018***Bahraini Dinars*

	Share Capital	Share premium	Treasury shares	Other reserves					Retained earnings	Total equity
				Statutory reserve	General reserve	Charity Reserve	Fair value reserve	Proposed dividend		
2017										
As at 1 January as previously stated	20,544,988	17,514,442	(33,248)	10,272,494	5,000,000	-	3,527,793	5,134,968	42,068,586	104,030,023
Reclassification (note 27)	-	-	-	-	-	2,062,630	-	-	-	2,062,630
	20,544,988	17,514,442	(33,248)	10,272,494	5,000,000	2,062,630	3,527,793	5,134,968	42,068,586	106,092,653
Comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	-	11,036,015	11,036,015
Other comprehensive income for the period	-	-	-	-	-	-	(400,435)	-	-	(400,435)
Total comprehensive income for the period	-	-	-	-	-	-	(400,435)	-	11,036,015	10,635,580
Transfer to statutory reserve	-	-	-	1,027,250	-	-	-	-	(1,027,250)	-
Transactions with shareholders of the Group:										
- Bonus shares issued	2,054,499	-	-	-	-	-	-	-	(2,054,499)	-
- Cash dividends	-	-	-	-	-	-	-	(5,134,968)	-	(5,134,968)
- Proposed cash dividends	-	-	-	-	-	-	-	6,776,623	(6,776,623)	-
- Adjustment during the period	-	-	-	-	-	175,468	-	-	-	175,468
Total transactions with owners of Group	2,054,499	-	-	-	-	175,468	-	1,641,655	(8,831,122)	(4,959,500)
At 31 December 2017	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	3,127,358	6,776,623	43,246,229	111,768,733

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

Bahraini Dinars

	Note	2018	2017
Cash flow from operating activities			
Profit for the year		6,921,515	11,036,015
Adjustments for:			
Depreciation		5,690,528	4,624,272
Loss on property and equipment write-off		-	23,682
Share of profit of associates	6	(1,316,919)	(1,951,332)
Dividend income		(835,664)	(856,283)
Interest income		(355,726)	(703,518)
Interest expense		419,837	-
Loss on sale of investments		-	22,036
Impairment loss of investment security		-	131,304
Provision for allowance for doubtful debts		(134,624)	12,132
Provision for allowance for slow moving inventories		(21,645)	11,621
Provision for employees' end of service benefits		288,731	235,217
Profit for the year after adjustments		10,656,033	12,585,146
Change in operating assets and liabilities:			
Inventories		114,314	(18,853)
Trade and other receivables		(1,563,100)	34,337
Trade and other liabilities		1,770,776	(8,147)
Directors' remuneration paid		(314,750)	(243,700)
Donations paid		-	(48,310)
Employees' end of service benefits paid		(214,902)	(541,065)
Net cash from operating activities		10,448,371	11,759,408
Cash flow from investing activities			
Purchase of property and equipment		(52,376,891)	(7,887,719)
Purchase of investment securities		-	(126,894)
Disposal of investment securities		356,732	382,456
Return of capital		-	61,795
Interest received		355,726	725,852
Dividend received from an associate	6	1,701,000	1,575,750
Dividend received from investments		835,663	856,283
Maturity of deposits over 90 days		14,643,455	12,520,804
Net cash (used in)/from investing activities		(34,484,315)	8,108,327
Cash flow from financing activities			
Dividends paid		(6,654,906)	(5,134,968)
Interest paid		(251,067)	-
Proceeds from bank loan	15	18,000,000	-
Net cash from/(used in) financing activities		11,094,027	(5,134,968)
Net (decrease)/increase in cash and cash equivalents		(12,941,917)	14,732,767
Cash and cash equivalents at 1 January		18,966,466	4,233,699
Cash and cash equivalents as at 31 December	11	6,024,549	18,966,466

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***1 Reporting Entity**

Gulf Hotels Group 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 950. The postal address of the Company's registered head office is P.O Box 580, Manama, Kingdom of Bahrain.

These consolidated financial statements as at and for the year ended 31 December 2018 comprise the results of the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in hospitality activities.

The Group owns and operates the Gulf Hotel, Gulf Executive Residence Adliya and Juffair, the Gulf Convention Centre, Gulf Executive Offices, Gulf Court Hotel Business Bay in Dubai, GHG Colombo (retail) in Sri Lanka, Bahrain Tourism Company – Crowne Plaza Bahrain S.P.C. ("BTC") and Gulf Brands International in the Kingdom of Bahrain and provides other catering facilities. It also provides management services to The K Hotel and Asdal Gulf-inn Seef, Kingdom of Bahrain, and is a shareholder and operator of Ocean Paradise Resort, Zanzibar, Republic of Tanzania. Following are Group entities:

Name of the subsidiary/associate	Ownership interest	Date of incorporation	Activities
Gulf Hotels Management Company S.P.C.	100%	4 December 2002	Managing hotels and restaurants and providing catering services for aircraft, ships, government organizations and companies.
Hospitality Resources S.P.C.	100%	12 August 2010	Import, export and sales of commercial and household kitchen equipment and interior designing contracts.
Gulf Hotel Laundry Services S.P.C.	100%	1 February 2014	Provision of automatic laundry services.
Bahrain Tourism Company – Crowne Plaza S.P.C	100%	31 May 2016	Building and investing in hotels and other tourism projects.
Gulf Court Hotel Business Bay LLC	100%	07-Mar-2018	Hotel operations and catering services
GHG Investments LLC	100%	21-Mar-2018	Dormant entity
Gulf Hotels Group BSC	100%	01-Jan-1968	Representative office.
GHG Colombo (Private) Limited	100%	19-Jul-2018	Distribution and sale of beverages.
GH Gulf Investments Limited FZE.	100%	30 May 2016	Commercial enterprises investment, institution, investment and establishing commercial, industrial and agricultural projects and development of projects, general trading activities and any other activities.
Bahrain Family Leisure Company B.S.C. (BFLC)- associate	28.06%	13 July 1994	Primarily involved in operating restaurants, providing services related to family entertainment, supply of amusement related equipment and investing in businesses with similar objectives to those of BFLC.
African and Eastern (Bahrain) W.L.L. (A&E)- associate	33.33%	15 March 1978	Investment in bonds and shares as well as importing and selling consumer products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***2 Basis of Preparation****a) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the Commercial Companies Law.

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost basis, except for investment securities which are stated at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Bahrain Dinar, which is the Group's functional and presentation currency. Unless otherwise stated, all financial information presented has been rounded off to the nearest Dinar.

d) Use of judgments and estimates

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

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

Judgments

In the process of applying the Group's accounting policies management has made certain estimates and judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements. Actual results may differ from these estimates.

Investment in associates

The Board of Directors of the Group makes an assessment of whether the Group has significant influence over an investee.

Useful lives of property and equipment

The Group determines the estimated useful lives of the Group's property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence. The management reviews the useful lives of property and equipment at each reporting date to determine whether any adjustment to the useful lives is required.

Impairment of property and equipment

The carrying amount of the Group's property and equipment is reviewed at every reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised whenever the carrying value of the asset exceeds its estimated recoverable amount.

Impairment of Investment properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***2 Basis of preparation (continued)*****Impairment of trade receivables***

Measurement of Expected Credit Losses ("ECL") allowance for receivables; key assumptions in determining the weighted-average loss rates. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base.

Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of inventories

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

e) Changes in significant accounting policies***Adoption of IFRS 9 and IFRS 15***

The Group initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018, but they did not have a material effect on the Group's consolidated financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards. Any adjustments arising from adoption of these standards has been reflected in the opening balances of retained earnings and reserves as of 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

f) New standards, amendments and interpretations effective from 1 January 2018

The following standards, amendments and interpretations, which became effective as of 1 January 2018, are relevant to the Group:

i) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group has initially applied IFRS 9 from 1 January 2018. Due to the transition options chosen by the Group in applying this standard, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards. Any adjustments to the carrying amounts of the financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***2 Basis of preparation (continued)**

The adoption of IFRS 9 has resulted in changes in the accounting policies for impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'. The consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The following table summarises the impact of adoption of IFRS 9 as at 1 January 2018:

	Retained earnings	Other reserves
Closing balance under IAS 39 (31 December 2017)	43,246,229	3,127,358
<u>Impact on reclassification and remeasurements:</u>		
Investment securities from available-for-sale to those measured at fair value through other comprehensive income	-	1,260,802
	43,246,229	4,388,160
Impact of adopting IFRS 9 of associate company	(42,843)	42,843
Opening balance under IFRS 9 on date of initial application of 1 January 2018	43,203,386	4,431,003

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***2 Basis of preparation (continued)**

The Group performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics. The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	Impact of IFRS 9		BD
				Re-measurement	Reclassification	New carrying amount
Cash and bank balances	Loans and receivables	Amortised cost	34,185,869	-	-	34,185,869
Trade receivables and other assets	Loans and receivables	Amortised cost	3,138,123	-	-	3,138,123
Investment securities						
<i>Debt securities</i>	<i>Available-for-sale</i>	<i>FVOCI</i>	364,107	-	-	364,107
<i>Equity securities (Quoted)</i>	<i>Available-for-sale</i>	<i>FVOCI</i>	11,279,690	-	-	11,279,690
<i>Equity securities (Unquoted)</i>	<i>Available-for-sale</i>	<i>FVOCI</i>	710,071	1,260,802	-	1,970,873
<i>Managed funds</i>	<i>Available-for-sale</i>	<i>FVOCI</i>	139,614	-	-	139,614
			49,817,474	1,260,802	-	51,078,276

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at FVOCI, but not equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***2 Basis of preparation (continued)**

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The adoption of IFRS 9 had no significant impact on the Group's allowance for trade receivables and other financial assets measured at amortized cost.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The adoption of this standard had did not have a significant impact on the Group's consolidated financial statements.

(iii) Other standards

The following other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements:

- Transfers of Investment Property (Amendments to IAS 40)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

(iv) Annual Improvements to IFRSs 2014–2016 Cycle – various standards

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

The following are the key amendments in brief:

- **IFRS 1 First-time Adoption of IFRS** – Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 1 January 2018.
- **IFRS 12 Disclosure of Interests in Other Entities** – The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Effective retrospectively for annual periods beginning on or after 1 January 2017.
- **IAS 28 Investments in Associates and Joint Ventures** – A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***2 Basis of preparation (continued)****g) New standards, amendments and interpretations issued by not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

(i) IFRS 16 Leases

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

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group does not expect to have a significant impact on its consolidated financial statements from adoption of this standard.

(ii) Other standards

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *Long term interests in associates and joint venture (Amendments to IAS 28)*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*
- *Annual Improvements to IFRS Standards 2015–2017 Cycle – various standard*
 - o *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*
 - o *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*
 - o *IAS 23 Borrowing costs*

3 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for changes arising from adoption of IFRS 9 and IFRS 15.

a) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)****(iii) Non-controlling interests (NCI)**

Non-controlling interests represents their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

(v) Interest in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

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

(vi) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(a) Foreign currency**Foreign currency transactions**

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)****(b) Revenue**

The Group has initially applied IFRS 15 from 1 January 2018. Due to the transition options chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards. The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 2f.

Policy applicable from 1 January 2018*Rendering of services*

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises revenue from rooms, and other services relating to hotel operations. Revenue is recognised over time as the services are rendered, provided pervasive evidence of an arrangement exists, tariff / rates are fixed or are determinable and collectability is reasonably certain.

Revenue is recognised net of indirect taxes, returns and discounts.

Sale of goods

Revenue from sale of goods is recognised at a point in time when the control of the goods is transferred to the customer, ie when the goods have been delivered to and accepted by the customer.

Management fees

Management fees are recognised when the services are rendered as determined by the management agreement. The variable consideration related to the fees is estimated as per the agreement and constrained until it is highly probable that there is no significant uncertainty regarding the amount of consideration.

Rental income

Revenue from property leased out under an operating lease are recognised over the tenure of the lease / service agreement on a straight line basis over the term of the lease, except where the rentals are structured to increase in line with expected general inflation, and except where there is uncertainty of ultimate collection.

Interest income

Interest income is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or liability.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Policy applicable before 1 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)**

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of services is recognised when services are performed, provided that the amount can be measured reliably.

Sale of goods

Revenue from the sale of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Management fees

Management fees are recognised when earned as determined by the management agreement.

Rental income

The Group operates executive offices which are leased on a commercial basis. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and included in other income as rental income.

Interest income

Interest income is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or liability.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(c) Employee Benefits*Bahraini employees*

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation, which is a "defined contribution scheme" in nature under IAS 19 'Employee Benefits', and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

Expatriate employees

Expatriate employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 2012, based on length of service and final remuneration. Provision for this unfunded commitment, which is a "defined benefit scheme" in nature under IAS 19, has been made by calculating the notional liability had all employees left at the reporting date.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost includes expenditure incurred on acquiring the inventories and bringing them in their existing location and condition.

(e) Property and equipment**i. Recognition and measurement**

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

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)****ii. Subsequent measurement**

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

iii. Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Lands are not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings on freehold land <ul style="list-style-type: none"> • original structure • subsequent improvements 	40 years Over the remaining life of the buildings they relate to, or earlier, as appropriate
Furniture, fittings and office equipment	2 to 7 years
Plant, equipment and motor vehicles	2 to 10 years

An item of property, plant and equipment and any significant part initially recognised 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 amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date.

(f) Investment properties

Investment properties, which are held to earn rentals or for capital appreciation, are measured at cost, including transaction costs, less accumulated depreciation and accumulated impairment, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

The depreciation charge on investment properties is calculated on a straight line method over the estimated useful lives.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the period of derecognition.

(g) Financial instruments**i. Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)****ii. Classification and subsequent measurement****Financial assets – Policy applicable from 1 January 2018**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt security; FVOCI – equity security; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an security-by-security basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)****Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses arising from changes in fair value including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt securities at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity securities at FVOCI	These assets are subsequently measured at fair value. Gains and losses are recognised in OCI and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)****Financial assets – Policy applicable before 1 January 2018**

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated statement of income.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. 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. Gains and losses are recognised in the consolidated statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Bad debts are written off in the consolidated financial statements when identified. This category generally applies to trade and other receivables.

Available-for-sale (AFS) investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group's AFS investments only includes equity investments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income and removed from the available-for-sale reserve.

Cash and cash equivalents

Cash and bank balances in the consolidated statement of financial position comprise cash at banks and on hand and term deposits. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with original maturity of three months or less, net of restricted cash, if any.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the (Group / Company/ Bank) neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)**

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

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

v. Impairment**Policy applicable from 1 January 2018****Financial instruments**

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost; and
- debt securities measured at FVOCI.

The Group measures loss allowances for trade and receivables based on simplified approach i.e. an amount equal to lifetime ECLs, however for cash and bank balances, measurement of loss allowances is based on 12 month ECL

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs**Trade and other receivables - (Simplified approach)**

The Group uses an allowance matrix to measure the ECLs of trade and other receivables from individual customers, which comprise a very large number of small balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)**

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Loss rates are based on actual credit loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and group view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions

Cash and Bank balances – (General approach)

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018**Impairment and uncollectibility of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)****(h) Share Capital**

Equity shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognized as a deduction from equity.

(i) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, including any attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(j) Dividends

Dividends and other proposed appropriations are recognised as a liability in the period in which they are approved by the shareholders.

(k) Directors' remunerations

Directors' remunerations are charged to the statement of profit or loss in the year in which they are incurred.

(l) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors and Group's Investment and Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors and Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(m) Provisions

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

(n) 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 Group.

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

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

The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)**

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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:

Fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. ask prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group 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 Group 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 fair value hierarchy as explained above.

(o) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset is capitalised. Other borrowing cost is recognised in the profit or loss in the year in which it arises.

(q) Interest expense

Interest expense pertains to borrowings from bank and is recognized using effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of financial asset or liability and of allocating interest income or expense over the expected life of the asset or the liability. The application of interest rate method has effect of recognizing the interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment.

(r) Governmental levy

The Group pays a Government levy calculated at a fixed percent of the Hotels' total revenue (net of foreign exchange gains) and is payable quarterly in arrears to the Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***3 Significant accounting policies (continued)****(s) Charity reserve**

Based on the recommendations of the Board of Directors, an amount is transferred from the profit for the year to this reserve. The reserve represents the uncommitted amount of the donations and charities approved by the Shareholders.

(t) Trade receivables

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

(u) Trade payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

Bahraini Dinars

4. Property and equipment

Cost:

At 1 January 2018

Additions

Transfers

Impairment

Disposals and write offs

At 31 December 2018

Depreciation:

At 1 January 2018

Charge for the year

Relating to disposals and write offs

At 31 December 2018

Net carrying amount:

At 31 December 2018

Freehold land	Buildings on freehold land	Furniture, fittings and office equipment	Plant, equipment and motor vehicles	Capital work-in-progress	Total
13,643,881	66,168,696	16,395,544	9,385,342	9,707,089	115,300,552
7,196,000	20,128,088	7,453,551	10,875,411	6,772,447	52,425,497
-	3,467,607	862,379	523,538	(4,853,524)	-
(1,058,519)	-	-	-	-	(1,058,519)
-	(280,153)	(1,490,666)	(277,917)	-	(2,048,736)
19,781,362	89,484,238	23,220,808	20,506,374	11,626,012	164,618,794
-	35,226,048	14,480,504	8,731,965	-	58,438,517
-	2,147,351	1,759,019	1,784,158	-	5,690,528
-	(280,153)	(1,490,666)	(277,916)	-	(2,048,735)
-	37,093,246	14,748,857	10,238,207	-	62,080,310
19,781,362	52,390,992	8,471,951	10,268,167	11,626,012	102,538,484

Gulf hotel and Crown Plaza hotel buildings (freehold) is situated at Adliya and Diplomatic area respectively and are used for hotel operations. The buildings are 50 and 43 years old. The conference centre buildings (freehold) are used to host corporate seminars and conferences, the building is 24 years old.

During the year impairment of BD 1,058,519 was recognized related to additional development costs of land in Dubai.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2017***Bahraini Dinars**4 Property and equipment (continued)*

	Freehold land	Buildings on freehold land	Furniture, fittings and office equipment	Plant, equipment and motor vehicles	Capital work-in-progress	Total
Cost:						
At 1 January 2017	13,632,098	61,056,829	17,166,854	9,315,875	8,884,092	110,055,748
Additions	11,783	-	151,984	100,584	7,113,216	7,377,567
Transfers	-	6,097,760	192,459	-	(6,290,219)	-
Disposals and write offs	-	(985,893)	(1,115,753)	(31,117)	-	(2,132,763)
At 31 December 2017	13,643,881	66,168,696	16,395,544	9,385,342	9,707,089	115,300,552
Depreciation:						
At 1 January 2017	-	32,800,604	14,895,858	8,278,705	-	55,975,167
Charge for the year	-	3,411,337	678,826	482,268	-	4,572,431
Relating to disposals and write offs	-	(985,893)	(1,094,180)	(29,008)	-	(2,109,081)
At 31 December 2017	-	35,226,048	14,480,504	8,731,965	-	58,438,517
Net carrying amount:						
At 31 December 2017	13,643,881	30,942,648	1,915,040	653,377	9,707,089	56,862,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***5. Investment properties****2018****Cost**

At 1 January 2018

At 31 December 2018**Accumulated depreciation**

At 1 January 2018

Charge for the year

At 31 December 2018**Net book value at 31 December 2018**

Land	Buildings	Total
494,515	1,818,110	2,312,625
494,515	1,818,110	2,312,625
-	1,466,343	1,466,343
-	48,606	48,606
-	1,514,949	1,514,949
494,515	303,161	797,676

The fair value of the investment property as at 31 December 2018 is BD 2,387,633 (2017: BD 2,387,633) based on the valuation performed by an independent property valuer (refer to note 26).

2017**Cost**

At 1 January 2017

At 31 December 2017**Accumulated depreciation**

At 1 January 2017

Charge for the year

At 31 December 2017**Net book value at 31 December 2017**

Land	Buildings	Total
494,515	1,818,110	2,312,625
494,515	1,818,110	2,312,625
-	1,414,502	1,414,502
-	51,841	51,841
-	1,466,343	1,466,343
494,515	351,767	846,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***6. Investment in associates**

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of the entity	Place of business / country	Percentage of ownership interest		Nature of relationship	Principal activities
		2018	2017		
Bahrain Family Leisure Company B.S.C. (BFLC)	Kingdom of Bahrain	28.06%*	28.06%	Associate	Primarily involved in operating restaurants, providing services related to family entertainment, supply of amusement related equipment and investing in businesses with similar objectives to those of BFLC.
African and Eastern (Bahrain) W.L.L. (A&E)	Kingdom of Bahrain	33.33%	33.33%	Associate	Investment in bonds and shares as well as importing and selling consumer products.

*% of ownership interest is calculated based on the investee's share capital net of treasury shares

a) The movements on the investment in associates are as follows:

2018

Opening balance
Share of profit/(loss) for the year
Dividends received
Share of other comprehensive income

BFLC	A&E	Total
2,074,900	7,835,632	9,910,532
(290,787)	1,607,706	1,316,919
(101,000)	(1,600,000)	(1,701,000)
-	37,081	37,081
1,683,113	7,880,419	9,563,532

Closing balance**2017**

Opening balance
Share of profit for the year
Dividends received
Share of other comprehensive income

BFLC	A&E	Total
1,865,079	7,694,862	9,559,941
285,571	1,665,761	1,951,332
(75,750)	(1,500,000)	(1,575,750)
-	(24,991)	(24,991)
2,074,900	7,835,632	9,910,532

Closing balance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***6 Investment in associate (continued)**

- b) The following table summarizes the financial position of the associates as included in its own financial statements for the Company's share:

African & Eastern (Bahrain) WLL	2018	2017
Total current assets	6,400,868	8,542,806
Total non-current assets	17,772,066	15,900,100
Total current liabilities	(1,384,164)	(1,819,848)
Total non-current liabilities	(268,280)	(236,928)
Net Assets (100%)	22,520,490	22,386,130
	33%	33%
Company's share of net assets	7,506,755	7,461,966
Goodwill	373,664	373,664
Carrying amount of interest in associate	7,880,418	7,835,632

	2018	2017
Revenue	16,444,785	16,827,223
Profit for the year	4,823,164	4,997,332
Other comprehensive income	110,696	(80,524)
Total comprehensive income	4,933,860	4,916,808
Company's share of total comprehensive income (33.33%)	1,644,787	1,665,761
Dividend received by the Company	1,600,000	1,500,000

BFLC	2018	2017
Total current assets	357,012	760,789
Total non-current assets	6,266,699	7,381,930
Total current liabilities	(540,640)	(672,892)
Total non-current liabilities	(85,869)	(74,145)
Net Assets (100%)	5,997,202	7,395,682
	28%	28%
Company's share of net assets	1,683,113	2,074,900
Carrying amount of interest in associate	1,683,113	2,074,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***6 Investment in associate (continued)**

	2018	2017
Revenue	1,438,214	1,337,852
Profit for the year	(1,038,481)	1,017,877
Total comprehensive income	(1,038,481)	1,017,877
Company's share of total comprehensive income (28.06%)	(290,787)	285,571
Dividend received by the Company	101,000	75,750

Based on the approved management accounts of BFLC and A&E for the year ended 31 December 2018, the Group has recognised a (loss)/profit of (BD 290,787) and BD 1,607,706 representing their 28.06% and 33.33% share (31 December 2017: Profit of BD 285,571 and BD 1,665,761, respectively).

7. Investment securities

The effect of initially applying IFRS 9 in the Group's consolidated financial statements is described in note 2. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements:

	2018	2017
Equity securities – available for sale (at fair value)	-	11,643,797
Equity securities – available for sale (at cost)	-	710,071
Equity securities – at FVOCI (Quoted)	11,711,979	-
Equity securities – at FVOCI (Unquoted)	1,970,874	-
Debt securities – at FVOCI	187,697	-
Managed funds – available for sale (at fair value)	-	139,213
Managed funds – available for sale (at cost)	-	401
	13,870,550	12,493,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***7 Investment securities (continued)**

The movement on investment securities for the year is as follows:

	2018	2017
Balance on 1 January	12,493,482	13,339,623
Impact of adoption of IFRS 9 on 1st January 2018	1,260,802	-
Purchases during the year	-	126,894
Disposals during the year	(356,732)	(404,492)
Return of capital	-	(61,795)
Impairment	-	(131,304)
Fair value movement - net	472,998	(375,444)
Balance on 31 December	13,870,550	12,493,482

8. Inventories

	2018	2017
Food and beverages	3,505,101	3,585,686
General stores	142,668	155,283
Maintenance stores	69,682	90,795
	3,717,451	3,831,764
Allowance for slow moving and obsolete inventories	(278,447)	(300,092)
	3,439,004	3,531,672

The movement in the provision for slow moving inventories is as follows:

	2018	2017
1 January	300,092	288,471
Provision for slow moving inventories (net)	(21,645)	11,621
At 31 December	278,447	300,092

9. Trade receivables

	2018	2017
Trade receivables	2,225,141	1,616,860
Related parties receivable (note 24)	103,260	268,437
	2,328,401	1,885,297
Impairment allowance on trade receivables	(377,776)	(338,296)
	1,950,625	1,547,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***9 Trade receivables (continued)**

Movement on impairment allowance during the year is as follow:

	2018	2017
Balance on 1 January	338,296	326,164
Charge for the year - net	39,480	12,132
Balance on 31 December	377,776	338,296

10. Other assets and prepayments

	2018	2017
Other receivables – related parties (note 24)	179,486	471,726
Advances and prepayments	471,239	527,834
Accrued interest	-	167,426
Security deposits	211,621	37,303
Other assets*	2,021,826	386,833
	2,884,172	1,591,122

*Other assets includes a BD 1,795,500 related to the VAT paid on the purchase of the Dubai hotel, which has been recognized as input VAT receivable.

11. Cash and bank balances

	2018	2017
Cash and bank balances	6,024,549	18,966,466
Cash and cash equivalents	6,024,549	18,966,466
Deposits with banks with maturities of more than three months	575,949	15,219,403
	6,600,498	34,185,869

Information about the Group's exposure to interest rate and credit risks are included in note 25.

12. Share capital

	Number 2018	Amount 2018	Number 2017	Amount 2017
a) Authorised shares 100 fils each	300,000,000	30,000,000	300,000,000	30,000,000
b) Issued and fully paid	225,994,863	22,599,487	225,994,863	22,599,487

c) Treasury shares:

The Company's Articles of Association permit the Company to hold up to 10 % (or such other limit as may be prescribed under law) of its own issued shares as treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***12 Share capital (continued)**

	Number 2018	Amount 2018	Number 2017	Amount 2017
Balance at the beginning of the year	56,266	33,248	56,266	33,248
Balance at 31 December	56,266	33,248	56,266	33,248

d) Performance per 100 fils share (excluding treasury shares)

	2018	2017
Basic and diluted earnings per share – fils	31	49
Proposed cash dividend per share – fils	25	30

e) Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares, as follows:

	2018	2017
Profit for the year	6,921,515	11,036,015
Weighted average number of equity shares	225,938,597	225,938,597
Basic earnings per share in fils	31	49

Diluted earnings per share is same as basic earnings per share as the Group does not have any potential dilutive instruments in issue.

f) Major shareholders

Names and nationalities of the major shareholders and the number of shares held in which they have an interest of 5% or more outstanding shares:

	31 December 2018			31 December 2017	
	Nationality	No. of shares	Shareholding (%)	No. of shares	Shareholding (%)
Bahrain Mumtalakat Holding Co. B.S.C. (c)	Bahraini	57,558,331	25.47%	57,558,331	25.47%
Social Insurance Organization	Bahraini	28,382,960	12.56%	28,382,960	12.56%
Family Investment Company Ltd.	Bahraini	24,428,215	10.81%	24,428,215	10.81%
Y.K.Almoayyed & Sons B.S.C (c)	Bahraini	14,309,817	6.3%	14,309,817	6.3%

The Group has only one class of shares and the holders of these shares have equal voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***12 Share capital (continued)****g) Additional information on shareholding pattern**

- i. The Company has only one class of equity shares and the holders of the shares have equal voting rights.
- ii. Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	Number of shareholders	Number of shares	% of total outstanding shares
Less than 1 %	3,847	70,593,588	31.24
1 % up to less than 5 %	8	30,721,952	13.59
5 % up to less than 10 %	1	14,309,817	6.33
10% up to less than 20%	2	52,811,175	23.37
20% up to less than 50%	1	57,558,331	25.47
TOTAL	3,859	225,994,863	100.00
Treasury shares	1	56,266	-

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

The details of the nationality of the shareholders and the percentage holding of the total outstanding share capital is as follows:

Category	31 December 2018			31 December 2017		
	<i>No. of shares</i>	<i>No. of shareholders</i>	<i>% of total outstanding share capital</i>	<i>No. of shares</i>	<i>No. of shareholders</i>	<i>% of total outstanding share capital</i>
Bahraini	214,530,490	1,041	94.927%	213,729,270	1,030	94.573%
Egyptian	14,419	1	0.006%	14,419	1	0.006%
UAE	1,019,589	7	0.451%	1,019,589	7	0.451%
Indian	165,657	3	0.073%	165,657	4	0.073%
Jordanian	4,703	1	0.002%	4,703	1	0.002%
Kuwaiti	2,872,128	4	1.271%	2,852,128	4	1.262%
Omani	3,821	1	0.002%	3,821	1	0.002%
Qatari	119,214	4	0.053%	119,214	4	0.053%
Saudi	2,788,337	9	1.234%	2,799,327	12	1.239%
Others	4,476,505	2,788	1.981%	5,286,735	2,825	2.339%
	225,994,863	3,859	100.00%	225,994,863	3,889	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***12 Share capital (continued)**

The details of the total ownership interest held by the directors are as follows:

Director	31 December 2018		31 December 2017	
	No. of shares	% of total outstanding share capital	No. of shares	% of total outstanding share capital
Farouk Yousuf Almoayyed	4,234,297	1.874%	4,234,297	1.874%
Fawzi Ahmed Ali Kanoo	139,755	0.062%	193,975	0.086%
Khalid Mohamed Kanoo	141,436	0.063%	141,436	0.063%
Mohamed Husain Yateem	1,732,343	0.767%	1,732,343	0.767%
Mohamed Jassim Buzizi	448,119	0.198%	448,119	0.198%
Adel Hussain Mahdi Almasqati	56,508	0.025%	56,508	0.025%

The details of the total ownership interest held by the directors along with the entities controlled, jointly controlled or significantly influenced by them are as follows:

	2018	2017
Number of shares	142,488,632	143,157,011
Percentage of holdings	63.05%	63.35%

13. Other reserves**a) Statutory reserve**

The Commercial Companies Law, requires appropriation of 10% of the net profit each year, until the reserve equals 50% of the paid-up capital. These limits are applied separately to each company within the Group.

b) General reserves

General reserves are appropriated from profits for the year at the discretion of the board of directors.

c) Investment fair value reserve

Gains or losses arising on re-measurement of investment securities are recognised in the investment fair value reserve.

14. Employees' end of Service Benefits

The Group's contributions in respect of Bahraini employees for the year amounted to BD 266,518 (2017: BD 182,173). The Group employed 896 staff at 31 December 2018 (2017: 886).

Movement in provision of end of service benefits during the year is as follow:

	2018	2017
Opening balance	2,064,155	2,370,003
Charge during the year	288,731	235,217
Paid during the year	(214,902)	(541,065)
	2,137,984	2,064,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***15. Bank loan**

	2018	2017
Repayable within one year	4,000,000	-
Repayable after one year	14,000,000	-
	18,000,000	-

The Group has obtained a bank loan of BD 25 million at an interest rate of BIBOR + 2.1% to purchase a 4 star hotel property in Dubai, UAE. The Group has drawn down BD 18 million out of the total amount as at 31 December 2018. Certain properties of the Group are mortgaged to the bank as collateral for the loan.

16. Trade and other payables

	2018	2017
Trade payables	1,999,342	1,925,557
Related parties payable (note 24)	64,631	105,773
	2,063,973	2,031,330
Accrued expenses	1,341,229	2,572,770
Payables to contractors	1,845,579	387,333
Accrued staff benefits	406,443	498,719
Government levy payable	573,902	637,656
Other payables	1,590,925	990,492
Other payables related parties	-	16,807
	5,758,078	5,103,777
	7,822,051	7,135,107

17. Revenue

	2018	2017
Food and beverages	25,284,578	27,213,049
Rooms	8,109,628	8,621,077
Other operating revenue	1,717,071	1,427,370
	35,111,278	37,261,496

18. Direct operating costs

	2018	2017
Food and beverages	9,057,230	12,324,913
Payroll and related costs	8,034,698	6,978,336
Rooms	1,867,659	1,298,274
Other operating departments	380,505	356,014
Other overhead costs	3,048,339	2,948,338
	22,388,431	23,905,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***19. Management fee and other income**

	2018	2017
Management fee	368,437	455,267
Property income – net	401,471	165,618
Foreign exchange (loss)/gain	(259)	46,120
Rental income	19,391	23,973
Reversal of provision*	2,434,686	-
Other income	199,227	331,444
	3,422,953	1,022,422

* Reversal of provisions of BD 1,000,000 and BD 1,434,686 created in previous years for possible liabilities relating to Crown Plaza Hotel and BTC at the time of the acquisition. However based on developments during 2018 and a reassessment by management, these provision are no longer required.

20. General and administration expenses

	2018	2017
Payroll and related costs	1,746,601	1,163,201
Professional fees	51,067	63,532
Directors' fee	295,354	261,196
Registration fee	30,744	75,768
Insurance expense	76,984	31,595
Municipal taxes	18,000	18,000
Printing and stationary	15,379	19,240
Other expenses	1,232,202	430,885
	3,466,331	2,063,417

21. Pre-operating project expenses

Pre-operating project expenses comprise of general and administration expenses of BD 1,057,899 incurred on the Dubai 4 star hotel prior to commencement of operations.

22. Capital expenditure commitments

Capital expenditure contracted for at the reporting date but not provided for, relating to the Group, amounted to BD 1,844,025 (2017: BD 4,906,425). This is mainly for the construction development of Gulf Residence Juffair.

23. Proposed appropriations

	2018	2017
Profit as per consolidated statement of profit or loss	6,921,515	11,036,015
Proposed appropriations:		
Cash dividend	5,648,465	6,776,623

Proposed appropriation of the 2018 profit is subject to approval by shareholders at the Annual General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018**

Bahraini Dinars

24 Related Party Transactions

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

Transactions with related parties during the period are as follows:

	31 December 2018					31 December 2017			
	Purchases	Sales	Management fee income	Interest Expense	Share of profit from associates	Purchases	Sales	Management fee income	Share of profit from associates
Major shareholders and their affiliates	416,195	178,152	368,437	419,837	-	173,019	189,497	455,267	-
Associates (note 6)	52,243	-	-	-	1,316,919	54,941	-	-	1,951,332
Directors and related affiliates	806,843	157,971	-	-	-	371,949	110,924	-	-
	1,275,281	336,123	368,437	419,837	1,316,919	599,909	300,421	455,267	1,951,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018**

Bahraini Dinars

24 Related Party Transactions (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	31 December 2018					31 December 2017			
	Trade receivables	Other receivables	Trade payables	Bank loan	Other payables	Trade receivables	Other receivables	Trade payables	Other payables
Major shareholders and their affiliates	84,538	179,486	64,631	18,000,000	-	252,083	471,726	105,773	16,807
Directors and related affiliates	18,722	-	-	-	-	16,354	-	-	-
	103,260	179,486	64,631	18,000,000	-	268,437	471,726	105,773	16,807

Compensation of key management personnel

Key management personnel are those persons having responsibility for planning, directing and controlling the activities of the Group. The remuneration of directors and members of key management during the period were as follows:

	2018	2017
Salaries and short-term employee benefits	440,190	449,348
Post-employment benefits	18,926	18,926
Directors attendance fees and remuneration	295,354	261,196
	754,470	729,470

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2018 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***24 Related Party Transactions (continued)**

Outstanding balances at the period end arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. No impairment losses have been recorded against balances outstanding during the period with related parties, and no specific allowance has been made for impairment losses on balances with related parties at the year end.

25 Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

Credit risk

Credit risk is the risk that a customer or a counter party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk primarily on its cash and bank balances, receivables and investment in debt securities.

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

With regard to trade receivables, the Group 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.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***25 Risk Management (continued)***Exposure to credit risk*

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

	2018	2017
Trade receivables	1,950,625	1,547,001
Other assets	2,412,933	1,063,288
Investment debt securities	187,697	363,028
Bank balances	6,556,048	34,150,918
	11,107,303	37,124,235

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

	2018	2017
Bahrain	10,533,364	36,761,207
Middle East	292,783	-
Others	281,156	363,028
	11,107,303	37,124,235

The ageing of receivables at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
Neither past due nor impaired	815,208	-	760,802	-
Past due 0-90 days	991,937	(14,648)	534,312	(12,787)
Past due 91-180 days	101,402	(29,080)	77,149	(25,895)
More than 180 days	419,854	(334,048)	417,890	(299,614)
	2,328,401	(377,776)	1,790,153	(338,296)

Market risk

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

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. A 1% increase / decrease in interest rates will have an impact of BD 73,265 loss and BD 76,160 gain on the profit and equity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***25 Risk Management (continued)***(ii) Currency risk*

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

(iii) Equity price risk

The Group's quoted equity investments are listed on Bahrain Stock Exchange ("BSE"), Kuwait Stock Exchange ("KSE"), Kingdom of Saudi Stock exchange ("Tadawul") and Qatar Stock exchange (QE).

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.

	2018			2017		
	Change in equity price	Effect on equity	Effect on profit	Change in equity price	Effect on equity	Effect on profit
<i>Available-for-sale investments (quoted)</i>	+10%	1,162,085	-	+10%	900,059	264,321
	-10%	(1,178,124)	-	-10%	1,131,339	(33,041)

The Group had unquoted investments carried at cost in 2017 where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted. All of the Group's quoted investments are listed in the Kingdom of Bahrain and other GCC stock markets.

Concentration of investment portfolio

Concentration of investment portfolio arise when a number of investments are made in entities engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would be affected by changes in economic, political or other conditions. The Group manages this risk through diversification of investments in terms of investment concentration. The concentration of the Group's investment portfolio is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***25 Risk Management (continued)**

Geographic region	2018	2017
Kingdom of Bahrain	11,413,351	10,139,697
Kingdom of Saudi Arabia	1,045,218	903,608
United Arab Emirates	548,689	523,549
State of Qatar	446,510	358,401
Others	416,782	568,227
	13,870,550	12,493,482

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Group.

Management of liquidity risk

The Group's approach to managing liquidity risk is to ensure that the Group secures funding significantly larger than present and future requirements. The Group continuously monitors the extent to which contractual receipts exceed contractual payments and the levels of new advances are correlated to the levels of liquidity.

The residual future contractual maturity of financial assets and liabilities are summarised in the table below. The future contractual undiscounted cash flows of financial assets and financial liabilities have been disclosed at the carrying value and prevailing interest rates at the reporting date until their final maturities.

2018	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and balances with banks	6,600,498	6,600,498	6,600,498	-	-
Investment securities (Debt)	187,697	193,563	193,563	-	-
Trade receivables	1,950,625	1,950,625	1,950,625	-	-
Other assets	2,412,933	2,412,933	2,412,933	-	-
	11,151,753	11,157,619	11,157,619		
Liabilities					
Trade and other payables	7,822,051	7,822,051	7,822,051	-	-
Bank term loans	18,000,000	19,971,231	4,765,800	15,205,431	-
	27,256,738	29,227,969	14,022,538	15,205,431	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***25 Risk Management (continued)**

2017	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and balances with banks	34,185,869	34,185,869	34,185,869	-	-
Investment securities (Debt)	363,028	385,148	179,259	205,889	-
Trade receivables	1,547,001	1,547,001	1,547,001	-	-
Other assets	1,045,220	1,045,220	1,045,220	-	-
	37,141,118	37,163,238	36,957,349	205,889	-
Liabilities					
Trade and other payables	7,135,107	7,135,107	7,135,107	-	-
	7,135,107	7,135,107	7,135,107	-	-

Reputational risk

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

Capital management

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

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26. Fair value

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

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial assets and liabilities measured at fair value

The following table sets out the fair values of financial instruments measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December.

2018	Level 1	Level 2	Level 3	Total fair value
Debt securities at FVOCI	187,697	-	-	187,697
Equity securities at FVOCI	11,711,979	-	1,970,874	13,682,853
Total	11,899,676	-	1,970,874	13,870,550

2017	Level 1	Level 2	Level 3	Total fair value
Available-for-sale investments (quoted)	11,643,797	-	-	11,643,797
Managed funds	139,213	-	-	139,213
Total	11,783,010	-	-	11,783,010

Financial assets and liabilities not measured at fair value

The fair value of other financial assets not measured at fair value categorised under cash and bank balances, trade receivables and other assets approximated their respective book values due to their short-term nature.

The fair value of bank term loan approximate their carrying value since they are at floating interest rates. All other financial liabilities, including trade and other payables are measured at amortised cost which is expected to not materially different compared to its carrying amount.

Non-financial assets not measured at fair value but where the fair value is disclosed

The fair value of the Group's investment properties as at 31 December 2018 have been arrived at on the basis of a valuation carried out on the respective dates. The fair value was determined by an independent property valuer who has qualifications and experience in valuing similar properties based on market comparable approach that reflects recent transaction prices for similar properties. There has been no change to the valuation technique during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2018***Bahraini Dinars***26 Fair value measurement (continued)**

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December are as follows:

2018	Level 1	Level 2	Level 3	Total fair value
Investment properties	-	2,387,633	-	2,387,633
2017	Level 1	Level 2	Level 3	Total fair value
Investment properties	-	2,387,633	-	2,387,633

27 Comparatives

The comparative figures have been regrouped, where necessary, in order to conform to the current year's presentation. The Group has reassessed the classification of its Charity Reserve account and reclassified it as a component within equity since there was no identified obligation to make contributions to any beneficiary. Except for this reclassification, other regrouping does not affect the previously reported profit and total comprehensive income for the year or total equity.

28. Segmental Information

For management purposes, the Group is organised into four main business segments:

- Hotel operations - Hotel room and rental and management of executive apartments and offices and provision of automatic laundry services
- Food and beverage - Retail sale of food and beverages and convention operations

Investments and other activities - Investment activities of the Group

The operations of Gulf Brands International and the retail sales of food and beverages of the Gulf Hotel and the convention operations of the Gulf Convention Center have been aggregated for segmental reporting.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories 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 or more segments are allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of trade and other payables.

The Group operates substantially in the Kingdom of Bahrain.

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28 Segmental Information (continued)

Year ended 31 December	Hotel room operations		Food and beverage		Investment and other activities		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Gross operating revenue	9,826,700	10,048,447	25,284,578	27,213,049	-	-	35,111,278	37,261,496
Gross operating costs	(6,095,741)	(5,665,461)	(16,292,690)	(18,240,414)	-	-	(22,388,431)	(23,905,875)
Gross operating profit	3,730,959	4,382,986	8,991,888	8,972,635	-	-	12,722,847	13,355,621
Investment income	-	-	-	-	2,152,583	2,654,275	2,152,583	2,654,275
Interest income	-	-	-	1,240	355,726	702,278	355,726	703,518
Management fee and other income	163,273	160,052	32,103	90,539	3,227,577	771,831	3,422,953	1,022,422
Depreciation	(3,606,684)	(3,328,181)	(2,066,964)	(1,217,995)	(16,880)	(78,096)	(5,690,528)	(4,624,272)
Interest expense	-	-	-	-	(419,837)	-	(419,837)	-
Pre-operating project expenses	(1,057,899)	-	-	-	-	-	(1,057,899)	-
Other expenses	(1,108,999)	(268,822)	-	(20,997)	(3,455,331)	(1,785,730)	(4,564,330)	(2,075,549)
Segment profit (loss) for the year	(1,879,350)	946,035	6,957,027	7,825,422	1,843,838	2,264,558	6,921,515	11,036,015
Total Assets	73,538,170	68,210,415	42,039,292	30,902,302	26,067,079	21,855,278	141,644,541	120,967,995
Total Liabilities	6,399,498	3,098,710	1,736,371	4,373,345	19,824,166	1,727,207	27,960,035	9,199,262
Capital Expenditures	51,427,931	4,918,378	997,566	2,459,189	-	-	52,425,497	7,377,567

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29 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity			
	Trade and other payables	Bank Term loans	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2018	7,135,107	-	40,080,681	28,441,823	43,246,229	118,903,840
Impact of adoption of IFRS 9	-	-	-	1,260,802	-	1,260,802
Share of impact of adopting IFRS 9 of associated companies	-	-	-	42,843	(42,843)	-
Restated balances as at 1 January 2018	7,135,107	-	40,080,681	29,745,468	43,203,386	120,164,642
Proceeds from loans and borrowings	-	18,000,000	-	-	-	18,000,000
Dividend paid	(6,654,906)	-	-	-	-	(6,654,906)
Interest paid	251,067	-	-	-	-	251,067
Total changes from financing cash flows	(6,403,839)	18,000,000	-	-	-	11,596,161
Changes in fair value	-	-	-	510,079	-	510,079
Other changes	-	-	-	(6,818,416)	6,963,308	144,892
Liability-related	733,997	-	-	-	-	733,997
Dividends declared	6,776,623	-	-	-	-	6,776,623
Interest expense	(419,837)	-	-	-	-	(419,837)
Total liability-related other changes	7,090,783	-	-	-	-	7,090,783
Total equity-related other changes	-	-	-	(6,308,337)	6,963,308	654,971
Balance at 31 December 2018	7,822,051	18,000,000	40,080,681	23,437,131	50,166,694	139,506,557