



شركة الفنادق الوطنية (ش.م.ب.)  
NATIONAL HOTELS COMPANY (B.S.C)

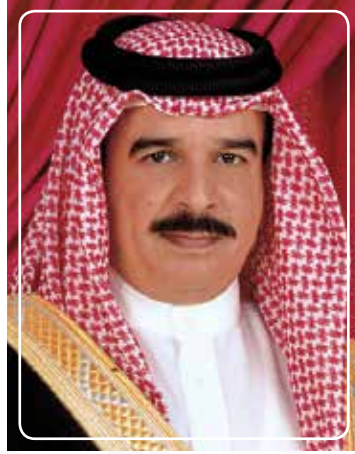
# ANNUAL REPORT 2018





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His Majesty  
**King Hamad bin Isa Al Khalifa**  
King of Bahrain



His Royal Highness  
**Prince Khalifa bin Salman Al Khalifa**  
The Prime Minister



His Royal Highness  
**Prince Salman bin Hamad Al Khalifa**  
The Crown Prince and Deputy  
Supreme Commander  
First Deputy Prime Minister





## Board of Directors



**Mr. Faisal Ahmed Al Zayani**  
Chairman



**Mr. Adel N Hamadeh**  
Vice Chairman & M.D



**Mr. Mishari Z.H. Al Khalid**  
Director  
Chairman, Audit Committee



**Mr. Abdulaziz Alisa**  
Director  
Chairman, Executive Committee



**Mr. Faisal Almeshari**  
Director



**Mr. Shehab Ahmed**  
Director



**Ms. Elham Adel**  
Director



**Mr. Abdulrahman Marshad**  
Board Advisor





# Board of Directors Report



## Board of Directors Report

### Dear Shareholders,

I am pleased to present to you the 2018 Annual Report that includes the Chairman's Report, the audited financial statement, and the Auditor's Report for year ended 31/12/2018.

### Dear Shareholders,

The hotel and hospitality industry within the Kingdom of Bahrain has in general experienced a slow growth, driven by the increase in available hotel rooms within the Kingdom coupled with the difficult economic conditions that the region is facing. The Company has seized this opportunity to commence the renovation works on the hotel lobby and rooms in 2017, in order to meet the prospective market demand and enhance service levels for the Hotel guests and residents.

It gives us great pleasure to advise you that the renovation works have been successfully completed during the year, and the Company has received the Project Completion Certificate in November 2018. The hotel lobby and rooms are now in operation. Needless to say, the renovation works have negatively impacted the hotel operations during the year due to the disruption faced. The Average Room Rate for the year reached BD57/-. In addition, the hotel room occupancy declined from 45% to 34%. The diversion of guests to the Furnished Apartments during the renovation works has helped contain the demand for rooms, leading to an occupancy of 51%, with an Average Room Rate of BD66/- for the Furnished Apartments. This resulted in a total combined occupancy of 40%, with an Average Room Rate of BD61/- for the Hotel and Furnished Apartments. The highlights of 2018 result can be summed up as follows:

- Room Revenue of the Hotel and Furnished Apartments reduced by 11% compared to last year.
- The Diplomat Office Building revenue increased by 5%
- Company total Sale decreased by 12%
- Company net profit decreased by 48%
- Earnings per Share decreased by 50%

The Board is vigorously following up with the Executive Management for the strict and vigilant adherence of the Corporate Governance Code. The Annual Report for the year includes the Board's Corporate Governance Report that highlights the company's compliance with the Code.

### Dear Shareholders,

Your Board of Directors, having discussed the audited Financial Statements for the year 2018, submits the following recommendations for endorsement by the Ordinary General Assembly with regard to the year 2018 profit:

- 1) to declare and distribute Bonus Shares to the Shareholders of 10% of the Share Capital, equivalent to one Share for every 10 Shares owned, resulting in a Share Capital of BD12,127,500.
- 2) to approve BD119,000/- as Directors remuneration already charged as an expense in the Income Statement.
- 3) to approve BD30,000/- for the support of National Institutions and Charity Accounts already charged as an expense in the Income Statement.
- 4) to transfer the balance of the profit of BD1,125,858/- to the Retained Earnings Account.

Finally, I would like to express personally and on behalf of the Board and the Shareholders, my thanks and appreciation to His Majesty The King - Shaikh Hamad bin Isa Al Khalifa, His Royal Highness The Prime Minister - Prince Khalifa bin Salman Al Khalifa, and His Royal Highness The Crown Prince, the first Deputy Prime Minister and Commander-in-Chief of the Bahrain Defence Force - Prince Salman bin Hamad Al Khalifa, for their support and assistance to the Company. I would also like to thank all the officials at Government Ministries, Organisations and esteemed customers for their continuous support. Special tribute must be paid to all the Company's employees led by the Advisor to the Board, Mr. A.Rahman Marshad, the Executive Managers and staff of the Diplomat Radisson Blu Hotel, Residence & Spa, and the Diplomat Office Tower Building employees for their sincere efforts in serving the Company, which contributed to achieving the results of 2018.

With the Grace of God,

Faisal Ahmed Al Zayani  
Chairman

Manama  
14.02.2019





# Independent Auditor's Report





## Independent Auditor's Report To The Shareholders of NATIONAL HOTELS COMPANY BSC

### Report on the Audit of the financial statements

#### Opinion

We have audited the accompanying financial statements of National Hotels Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for opinion

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

#### Key audit matters

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

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

<b>Valuation of freehold land carried at revalued amount</b> Refer to Note 7 to the financial statements	
<b>Key audit matter / risk</b>	<b>How the key audit matter was addressed in the audit</b>
<p>"The freehold land represents a significant part of the total assets (16%) of the Company and is measured at fair value of BD 13,779,508 as of 31 December 2018. The valuation was carried out by an independent external appraiser engaged by the Company.</p> <p>Valuation of freehold land was significant to our audit due to its magnitude and complexity and it is highly dependent on a range of estimates that require significant management judgments as disclosed in Note 5 to the financial statements."</p>	<p>Our procedures in relation to the fair value assessment of freehold land included, among others:</p> <ul style="list-style-type: none"> <li>● Evaluation of the independent external appraiser's objectivity, independence and expertise; and</li> <li>● Assessment of the methodology, key assumptions and methods used by management and external appraiser in the valuation process.</li> </ul> <p>We also evaluated the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions in Note 7 to the financial statements.</p>





## Independent Auditor's Report To The Shareholders of NATIONAL HOTELS COMPANY BSC

### Report on the Audit of the financial statements (Continued)

#### Other information included in the Company's 2018 annual report

Other information consists of the information included in the Company's 2018 Annual Report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Chairman's Report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

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

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

#### Responsibilities of the Board of Directors for the financial statements

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.





## Independent Auditor's Report To The Shareholders of NATIONAL HOTELS COMPANY BSC

### Report on the Audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on other legal and regulatory requirements

We report that:

- a) as required by the Bahrain Commercial Companies Law:
  - i. the Company has maintained proper accounting records and the financial statements are in agreement therewith;
  - ii. the financial information contained in the Chairman's Report is consistent with the financial statements; and
  - iii. satisfactory explanations and information have been provided to us by Management in response to all our requests; and
- b) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2018 that might have had a material adverse effect on the business of the Company or on its financial position.

The partner in charge of the audit resulting in this independent auditor's report is Essa A Al-Jowder.

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



A photograph of a restaurant interior. The scene shows several tables set with white tablecloths, glassware, and silverware. The chairs are upholstered in a light blue fabric with dark wooden frames. In the background, there is a buffet counter with various dishes and a display case. The ceiling features modern lighting fixtures, including spherical pendant lights. The floor has a black and white geometric pattern. The overall atmosphere is clean and professional.

**Statements of Financial  
Position As at  
31 December 2018**



## Statement of Financial Position As at 31 December 2018

	Notes	2018 BD	2017 BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	35,900,777	32,658,608
Investment properties	8	37,380,956	37,962,947
Investment in an associate	9	7,758,073	7,709,859
Non-current investments	10	2,693,435	4,458,312
<b>Total non-current assets</b>		<b>83,733,241</b>	<b>82,789,726</b>
<b>Current assets</b>			
Inventories	11	76,994	90,846
Current investments	10	2,049,470	44,233
Trade and other receivables	12	459,838	1,027,929
Bank balances and cash	13	175,108	3,188,049
<b>Total current assets</b>		<b>2,761,410</b>	<b>4,351,057</b>
<b>TOTAL ASSETS</b>		<b>86,494,651</b>	<b>87,140,783</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	11,025,000	11,025,000
Treasury shares	15	(94,726)	(94,726)
Statutory reserve	16	5,512,500	5,512,500
General reserve	17 (a)	1,087,579	2,190,079
Revaluation reserve	17 (b)	13,391,305	13,391,305
Investment revaluation reserve		2,060,858	1,825,735
Share of reserves of associate		102,286	22,548
Retained earnings		49,266,801	48,183,786
Proposed dividend	18	-	1,091,747
Proposed bonus shares	18	1,102,500	-
<b>Total equity</b>		<b>83,454,103</b>	<b>83,147,974</b>
<b>Non-current liability</b>			
Employees' end of service benefits	19	331,782	431,406
<b>Total non-current liability</b>		<b>331,782</b>	<b>431,406</b>
<b>Current liabilities</b>			
Trade and other payables	21	2,098,185	2,318,188
Current portion of term loan	20	-	1,243,215
Bank overdraft	13	610,581	-
<b>Total current liabilities</b>		<b>2,708,766</b>	<b>3,561,403</b>
<b>Total liabilities</b>		<b>3,040,548</b>	<b>3,992,809</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>86,494,651</b>	<b>87,140,783</b>

Mr Faisal Ahmed Al Zayani  
Chairman

Mr Adel N Hamadeh  
Vice Chairman and Managing Director

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





## STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2018

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

Mr Faisal Ahmed Al Zayani  
Chairman

Mr Adel N Hamadeh  
Vice Chairman and Managing Director

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





## STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2018

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

Mr Faisal Ahmed Al Zayani  
Chairman

Mr Adel N Hamadeh  
Vice Chairman and Managing Director

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





## STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2018

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

### Non-cash items:

- Liabilities towards acquisition of property, plant and equipment to the extent of BD 536,912 (2017: BD 369,547) has been excluded from the movement of trade and other payables.
- Restricted cash amounting to BD 105,895 (2017: BD 233,043) [note 13] has been excluded from the movement of trade and other payables.
- Interest income of BD 40,544 (2017: BD 40,544) which has been accrued but is not yet due has been excluded from the movement of trade and other receivables.
- Interest expense of BD 13,714 which has been accrued but is not yet due has been excluded from the movement of trade and other payables as of 31 December 2017.

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





## STATEMENT OF CHANGES IN EQUITY

As at 31 December 2018

Notes	Share capital		Treasury shares		Statutory reserve		General reserve		Revaluation reserve		Investment Share of revaluation reserve of associate		Retained earnings		Proposed dividend		Proposed bonus shares		Total BD
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	
As at 1 January 2018	11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	22,548	48,183,786	1,091,747	-	-	-	-	-	-	-	-	-	83,147,974
Transfer to retained earnings on adoption of IFRS 9 by an associate	-	-	-	-	-	42,843	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1 January 2018 (restated)	11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	65,391	48,140,943	1,091,747	-	-	-	-	-	-	-	-	-	83,147,974
Profit for the year	-	-	-	-	-	-	1,125,858	-	-	-	-	-	-	-	-	-	-	-	1,125,858
Other comprehensive income for the year	-	-	-	-	-	235,123	36,895	-	-	-	-	-	-	-	-	-	-	-	272,018
Total comprehensive income for the year	-	-	-	-	-	235,123	36,895	1,125,858	-	-	-	-	-	-	-	-	-	-	1,397,876
Dividend paid - 2017	-	-	-	-	-	-	-	-	(1,091,747)	-	-	-	-	-	-	-	-	-	(1,091,747)
Proposed bonus shares	-	-	-	(1,102,500)	-	-	-	-	-	-	-	-	-	-	-	-	1,102,500	-	-
<b>Balance at 31 December 2018</b>	<b>11,025,000</b>	<b>(94,726)</b>	<b>5,512,500</b>	<b>1,087,579</b>	<b>13,391,305</b>	<b>2,060,858</b>	<b>102,286</b>	<b>49,266,801</b>	<b>-</b>	<b>1,102,500</b>	<b>83,454,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance at 1 January 2017	11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	2,224,559	49,385	47,098,153	1,310,097	-	-	-	-	-	-	-	-	-	82,706,352
Profit for the year	-	-	-	-	-	-	2,177,380	-	-	-	-	-	-	-	-	-	-	-	2,177,380
Other comprehensive loss for the year	-	-	-	-	-	(398,824)	(26,837)	-	-	-	-	-	-	-	-	-	-	-	(425,661)
Total comprehensive income for the year	-	-	-	-	-	(398,824)	(26,837)	2,177,380	-	-	-	-	-	-	-	-	-	-	1,751,719
Dividend paid - 2016	-	-	-	-	-	-	-	-	(1,310,097)	-	-	-	-	-	-	-	-	-	(1,310,097)
Proposed dividend - 2017	-	-	-	-	-	-	-	-	1,091,747	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	22,548	48,183,786	1,091,747	-	-	-	-	-	-	-	-	-	83,147,974

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 1 CORPORATE INFORMATION

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

The Company operates solely in the Kingdom of Bahrain.

#### Associate

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2017: 33.33%). For more details, refer to note 9.

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

### 2 BASIS OF PREPARATION

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

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of equity instruments and the revaluation of freehold land.

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

### 3 CHANGES IN ACCOUNTING POLICIES

#### New and amended standards and interpretations effective as of 1 January 2018

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

#### IFRS 15 Revenue from Contracts with Customers

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 3 CHANGES IN ACCOUNTING POLICIES (Continued)

**New and amended standards and interpretations effective as of 1 January 2018 (continued)**

#### **IFRS 15 Revenue from Contracts with Customers (continued)**

(a) Sale of goods

The Company's contracts with customers for the sale of food and beverages generally include one performance obligation. The Company has concluded that revenue from sale of food and beverages should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the food and beverages. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(b) Room revenue

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

(c) Advances received from customers

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

#### **IFRS 9 Financial Instruments**

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

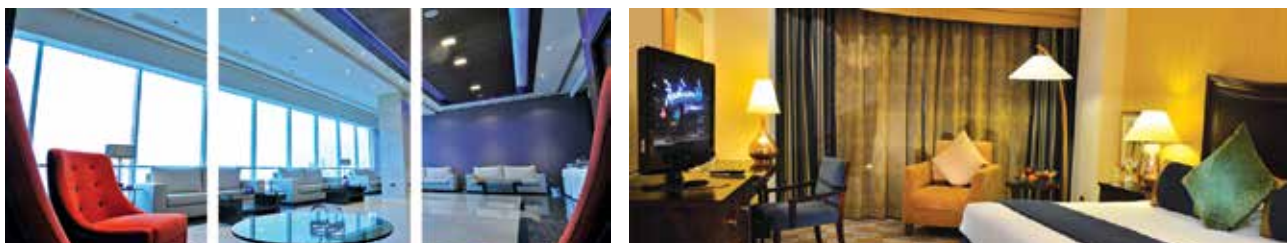
The Company has applied IFRS 9 prospectively, with the initial application date of 1 January 2018. The Company has not restated the comparative information, with continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 has been recognised directly in retained earnings and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

The nature of these reclassifications are described below:

(a) Classification and measurement

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 3 CHANGES IN ACCOUNTING POLICIES (Continued)

#### New and amended standards and interpretations effective as of 1 January 2018 (continued)

#### IFRS 9 Financial Instruments (Continued)

##### (a) Classification and measurement (continued)

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

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

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

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

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

#### As at 1 January 2018

#### IFRS 9 measurement category

	Amortised			FVOCI BD
	BD	FVPL BD	cost BD	
<b>IAS 39 measurement category Loans and receivables</b>				
Trade receivables	262,959	-	262,959	-
<b>Available-for-sale investments</b>				
Quoted equity investments	2,147,512	-	-	2,147,512
Unquoted equity investments	310,800	-	-	310,800
Quoted debt instruments	2,000,000	-	2,000,000	-
<b>Held-for-trading investments</b>				
Quoted equity investments	44,233	44,233	-	-
	<b>44,233</b>	<b>2,262,959</b>	<b>2,458,312</b>	





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 3 CHANGES IN ACCOUNTING POLICIES (Continued)

#### IFRS 9 Financial Instruments (Continued)

##### (b) Impairment

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

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

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

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

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

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

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

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Current versus non-current classification

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

An asset is presented as current when it is:

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

All other assets are classified as non-current.





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Current versus non-current classification (continued)

A liability is presented as current when:

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

The Company classifies all other liabilities as non-current.

#### Property, plant and equipment

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

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

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

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

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

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment properties

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

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

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

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

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

#### Investment in an associate

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

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

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

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

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

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment in an associate (continued)

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

#### Inventories

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

#### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets

##### Initial recognition and measurement

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

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

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

##### Subsequent measurement

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

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







## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial assets (continued)

##### Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

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

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

##### Financial assets at fair value through profit or loss

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial assets (continued)

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

##### Derecognition

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

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

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

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

##### Impairment of financial assets

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

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

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

#### Financial liabilities

##### Initial recognition and measurement

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial liabilities (continued)

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

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

#### Subsequent measurement

##### Loans and borrowings

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

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

#### Derecognition

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

#### Offsetting of financial instruments

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

#### Cash and cash equivalents

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

#### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- 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 to by the Company.

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair value measurement (continued)

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

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

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

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

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

#### Provisions

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

#### Employees' end of service benefits

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

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

#### Treasury shares

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

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

#### Contract balances

##### Contract assets

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

##### Trade receivables

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

##### Contract liabilities

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

##### Foreign currencies

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

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

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

#### Judgements

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

#### Going concern

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

#### Estimates and assumptions

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

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

#### Impairment of trade and other receivables

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### Estimates and assumptions (Continued)

##### Impairment of trade and other receivables (continued)

At the reporting date, gross trade accounts receivable were BD 273,824 (2017: BD 282,966) and the provision for ECLs was BD 62,018 (2017: BD 20,007). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss.

##### Impairment of inventories

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

At the reporting date, gross food and beverage inventories were BD 53,677 (2017: BD 59,689) and general stores of BD 23,317 (2017: BD 31,157), and there was no allowance for old and obsolete inventories (2017: same). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

##### Revaluation of freehold land

The Company measures its freehold land at revalued amounts with changes in fair values being recognised in equity. Revaluation of freehold land is normally carried out at least once in every three years. The Company engaged an independent valuation specialist to assess the fair value of the freehold land as at 31 December 2018. The assessment of the fair value of the freehold land requires assumptions such as level of development in the area, current market trends, supply and demand of the property, as well as location, population and type of neighbourhood in the area. The Company has not recognised any revaluation adjustment on its freehold land for the year ended 31 December 2018 and 31 December 2017.

##### Useful lives of property, plant and equipment

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

##### Impairment of property, plant and equipment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The Company has not recognised any impairment of property, plant and equipment in its statement of profit or loss for the year ended 31 December 2018 and 31 December 2017.





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 6 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

- IFRS 9 Financial Instruments (Amendments): Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)
- IFRS 10 and IAS 28 Consolidated Financial Statements and Investment in Associates and Joint Ventures (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is not decided)
- IFRS 16 Leases - Revised guidance on single model accounting for leases (effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied)
- IFRS 17 Insurance Contracts: The standard covers recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, that was issued in 2005 (effective for annual periods beginning on or after 1 January 2021)
- IAS 19 Employee Benefits (Amendments): Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)
- IAS 28 Investment in Associates and Joint Ventures (Amendments): Long-term interests in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019)

#### Annual Improvements 2015-2017 Cycle

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

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







## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

#### IFRS 16 Leases

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

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

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

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

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

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

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

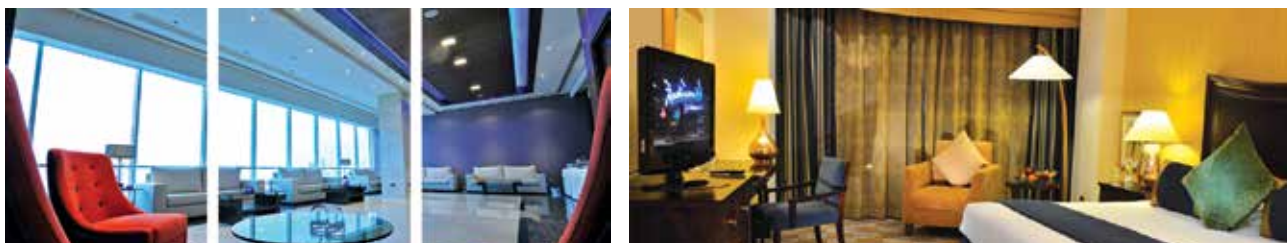
The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments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

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

#### IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land BD	Buildings BD	Improve- ments to buildings BD	Furniture, fixtures and equip- ment BD	Plant and machinery BD	Capital work-in- progress BD	Total BD
Cost/valuation:							
At 1 January 2018	13,779,508	29,791,341	2,731,493	3,000,918	8,242,444	1,863,462	59,409,166
Additions	-	-	16,546	20,047	43,493	4,782,277	4,862,363
Transfer of capital work-in-progress	-	-	4,010,009	2,188,021	300,347	(6,498,377)	-
Write-offs	-	-	-	(995,448)	(95,238)	-	(1,090,686)
At 31 December 2018	13,779,508	29,791,341	6,758,048	4,213,538	8,491,046	147,362	63,180,843
Depreciation:							
At 1 January 2018	-	17,475,949	1,315,102	2,606,132	5,353,375	-	26,750,558
Charge for the year	-	745,136	268,139	60,804	436,596	-	1,510,675
Relating to write-offs	-	-	-	(885,929)	(95,238)	-	(981,167)
At 31 December 2018	-	18,221,085	1,583,241	1,781,007	5,694,733	-	27,280,066
Net carrying amounts:							
<b>At 31 December 2018</b>	<b>13,779,508</b>	<b>11,570,256</b>	<b>5,174,807</b>	<b>2,432,531</b>	<b>2,796,313</b>	<b>147,362</b>	<b>35,900,777</b>
Cost/valuation:							
At 1 January 2017	13,779,508	29,791,341	2,649,080	3,596,490	8,133,646	164,738	58,114,803
Additions	-	-	82,413	7,090	118,909	1,698,724	1,907,136
Write-offs	-	-	-	(602,662)	(10,111)	-	(612,773)
At 31 December 2017	13,779,508	29,791,341	2,731,493	3,000,918	8,242,444	1,863,462	59,409,166
Depreciation:							
At 1 January 2017	-	16,730,728	1,091,680	3,114,309	4,904,628	-	25,841,345
Charge for the year	-	745,221	223,422	39,569	457,847	-	1,466,059
Relating to write-offs	-	-	-	(547,746)	(9,100)	-	(556,846)
At 31 December 2017	-	17,475,949	1,315,102	2,606,132	5,353,375	-	26,750,558
Net carrying amounts:							
At 31 December 2017	13,779,508	12,315,392	1,416,391	394,786	2,889,069	1,863,462	32,658,608

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 31 December 2018

#### 8 INVESTMENT PROPERTIES

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 9 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2017: 33.33%) interest in African & Eastern (Bahrain) W.L.L., which is incorporated in the Kingdom of Bahrain and is involved in the business of investment in bonds and shares as well as importing and selling consumer products. African & Eastern (Bahrain) W.L.L. is a private entity that is not listed on any public exchange. The Company's interest in African & Eastern (Bahrain) W.L.L. is accounted for using the equity method in the financial statements.

The movements during the year are as follows:

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

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

	2018 BD	2017 BD
Current assets	6,400,868	8,570,520
Non-current assets	17,772,067	15,889,807
Current liabilities	(1,384,164)	(1,847,562)
Non-current liabilities	(268,280)	(236,928)
Equity	<u>22,520,491</u>	<u>22,375,837</u>
Proportion of the Company's ownership	33.33%	33.33%
Share of the associate's net assets	7,506,080	7,457,866
Goodwill on investment	251,993	251,993
Carrying amount of the investment	<u>7,758,073</u>	<u>7,709,859</u>
	2018 BD	2017 BD
Revenue	16,444,784	16,827,224
Cost of sales	(9,650,114)	(10,606,061)
Other income	705,487	700,622
Administrative expenses	(2,665,721)	(1,924,456)
Profit for the year	<u>4,834,436</u>	<u>4,997,329</u>
Company's share of profit for the year	<u>1,611,319</u>	<u>1,665,611</u>

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 10 INVESTMENTS

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

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

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

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

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

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

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

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

### 11 INVENTORIES

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 12 TRADE AND OTHER RECEIVABLES

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

Trade receivables are non-interest bearing. Receivables relating to current guests are payable on departure. Receivables relating to other operations and corporate guests are generally due upon invoicing. For terms and conditions relating to related party receivables, refer to note 27.

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

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

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 13 CASH AND CASH EQUIVALENTS

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

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

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

### 14 SHARE CAPITAL

	2018 BD	2017 BD
Authorised:		
150,000,000 (2017: 150,000,000) ordinary shares of BD 0.100 each	<u>15,000,000</u>	<u>15,000,000</u>
Issued and fully paid:		
110,250,000 (2017: 110,250,000) shares of BD 0.100 each	<u>11,025,000</u>	<u>11,025,000</u>

### 15 TREASURY SHARES

Treasury shares represent the purchase by the Company of its own shares. As at 31 December 2018, the Company had purchased 1,075,256 shares (2017: 1,075,256 shares) with acquisition cost of BD 94,726 (2017: BD 94,726) and market value of BD 301,072 (2017: BD 301,072). These shares represents 0.98% of the total outstanding shares as at 31 December 2018 and 31 December 2017.

### 16. STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year has to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. No such transfer was made during the year (2017: nil) as the statutory reserve has reached 50% of the issued and paid up share capital.





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 17. GENERAL AND REVALUATION RESERVES

#### a) General reserve

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

#### b) Revaluation reserve

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

### 18 DIVIDENDS

#### a) Proposed and paid dividends

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

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

#### b) Proposed bonus shares

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

#### c) Cash dividend per share

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

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

### 19 EMPLOYEES' END OF SERVICE BENEFITS

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

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







## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 20 TERM LOAN

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

The Company has initially obtained an overdraft facility of BD 15,000,000 from a commercial bank in Kingdom of Bahrain to finance the construction of a commercial property which was agreed with the commercial bank to convert the overdraft facility to a term loan upon the completion of the construction. On 14 April 2012, the construction of the commercial property was completed and the overdraft facility was converted into a term loan, which is repayable in quarterly instalments of BD 621,609 plus interest at a rate of 3 month BIBOR plus 2.5% over a period of six years starting on 12 July 2012. The term loan was secured by a mortgage over the freehold land, buildings and improvements to buildings. The term loan was repaid in full on 12 July 2018. The effective interest rate at 31 December 2017 was 3.83%.

### 21 TRADE AND OTHER PAYABLES

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

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

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

### 23 GROSS OPERATING COSTS

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

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

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

### 24 MISCELLANEOUS INCOME

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 25 STAFF COSTS

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

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

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

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

### 26 BASIC AND DILUTED EARNINGS PER SHARE

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

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

### 27 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

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

#### Terms and conditions of transactions with related parties

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

The directors' remuneration charged to statement of profit or loss during the year ended 31 December 2018 amounted to BD 119,000 (2017: BD 120,000) which only includes the basic fees. Further, the directors' remuneration paid during the year amounted to BD 119,500 (2017: BD 179,000).

#### Compensation of key management personnel

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

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

### 28 COMMITMENTS

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Introduction

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

#### Board of Directors

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

#### Executive committee

The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Company. It is also responsible for market and liquidity risks pertaining to the Company's investment activity by optimising liquidity and maximising returns from the funds available to the Company.

#### Interest rate risk

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

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

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

#### Credit risk

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

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

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

#### 31 December 2018

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk

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

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

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

	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	Total BD
<b>31 December 2018</b>				
Dividends payable (note 21)	237,289	-	-	237,289
Retentions payable (note 21)	531,683	-	-	531,683
Construction contractors payable (note 21)	-	29,401	-	29,401
Trade payables (note 21)	-	307,728	-	307,728
Amounts due to related parties (note 21 and 27)	-	303,053	-	303,053
<b>Total</b>	<b>768,972</b>	<b>640,182</b>	<b>-</b>	<b>1,409,154</b>
<b>31 December 2017</b>				
Dividends payable (note 21)	233,043	-	-	233,043
Retentions payable (note 21)	119,253	-	-	119,253
Interest payable (note 21)	13,714	-	-	13,714
Construction contractors payable (note 21)	-	536,612	-	536,612
Other payables (note 21)	-	4,818	-	4,818
Trade payables (note 21)	-	446,435	-	446,435
Amounts due to related parties (note 21 and 27)	-	279,102	-	279,102
Term loan (note 21)	633,420	627,511	-	1,260,931
<b>Total</b>	<b>999,430</b>	<b>1,894,478</b>	<b>-</b>	<b>2,893,908</b>





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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

#### Equity price risk

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

The Company controls equity price risk by diversifying its investments.

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

All of the Company's quoted investments, including managed portfolio investments, are traded in Gulf Co-operation Council (GCC) markets. One of the Company's own managed investments accounts for 92% of the total investments as of 31 December 2018 (2017: same). No other investments, including investments in the managed portfolio, accounts for more than 10% of the total investments.

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

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

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

#### Reputational risk

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Capital management

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

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

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

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

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







## NOTES TO THE FINANCIAL STATEMENTS

### 31 December 2018

#### 30 FAIR VALUE MEASUREMENT

Financial instruments comprises of financial assets and financial liabilities.

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

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

		Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1) BD	Significant observable inputs (Level 2) BD	Significant unobservable inputs (Level 3) BD	Total BD
<b>31 December 2018</b>					
<b>Assets measured at fair value:</b>					
Equity investments at FVOCI	31 December 2018	2,346,924	-	346,511	2,693,435
Equity investments at FVPL	31 December 2018	49,470	-	-	49,470
Revalued freehold land	19 December 2018	-	-	13,779,508	13,779,508
		Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1) BD	Significant observable inputs (Level 2) BD	Significant unobservable inputs (Level 3) BD	Total BD
<b>31 December 2017</b>					
<b>Assets measured at fair value:</b>					
Equity investments at FVOCI	31 December 2017	2,147,512	-	310,800	2,458,312
Equity investments at FVPL	31 December 2017	44,233	-	-	44,233
Revalued freehold land	2 March 2017	-	-	13,779,508	13,779,508

During the years ended 31 December 2018, and 31 December 2017, there have been no transfers between Level 1, Level 2 and Level 3.

There was no movement in the revalued freehold land as of 31 December 2018 (2017: same) which is under Level 3 fair value hierarchy. For fair value hierarchy and disclosure of fair value information for assets for which fair value is required to be disclosed, refer to note 8.

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 31 SEGMENT INFORMATION

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

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

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

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

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

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

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





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 32 SHAREHOLDERS' INFORMATION

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

Names	Nationality	2018		2017	
		No. of shares	%	No. of shares	%
Kuwait Investment Authority	Kuwaiti	36,207,168	32.84%	36,207,168	32.84%
Social Insurance Organization (Pension) - Civil & Military	Bahraini	35,444,975	32.15%	35,444,975	32.15%
Kuwait Investment Company	Kuwaiti	23,090,302	20.94%	23,090,302	20.94%

- b) Distribution of share capital is as follows:

Category	No. of shares	No. of shareholders	% of total outstanding share capital
<b>As of 31 December 2018:</b>			
Less than 1%	9,177,999	3,990	8.32%
1% up to less than 5%	5,254,300	3	4.77%
5% up to less than 10%	-	-	0.00%
10% up to less than 20 %	-	-	0.00%
20% up to less than 50%	94,742,445	3	85.93%
	<b>109,174,744</b>	<b>3,996</b>	<b>99.02%</b>
Treasury shares	1,075,256	1	0.98%
	<b>110,250,000</b>	<b>3,997</b>	<b>100%</b>
<b>As of 31 December 2017:</b>			
Less than 1%	6,692,633	3,990	6.07%
1% up to less than 5%	7,739,666	4	7.02%
5% up to less than 10%	-	-	0.00%
10% up to less than 20 %	-	-	0.00%
20% up to less than 50%	94,742,445	3	85.93%
	109,174,744	3,997	99.02%
Treasury shares	1,075,256	1	0.98%
	<b>110,250,000</b>	<b>3,998</b>	<b>100%</b>





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 32 SHAREHOLDERS' INFORMATION (continued)

#### Directors ownership interest

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

### 33 SOCIAL RESPONSIBILITY

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

### 34 COMPARATIVE INFORMATION

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





**CORPORATE GOVERNANCE  
REPORT FOR THE  
YEAR 2018**



## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 1 Actions taken to complete the Corporate Governance Code

The Corporate Governance code issued by the Ministry of Industry, Commerce and tourism on 29th march 2018 (as amended) forms the cornerstone that the National Hotels Company (BSC) (or the "Company") adopts in conducting its daily commercial transactions, while adhering the laws of the Kingdom of Bahrain

The Corporate Governance code governs the relationship between the Company and its shareholders, Board of Directors, Executive Management, Employees and other parties (such as customers, legal bodies, suppliers and all individuals or corporates with whom the company transacts).

Implementing astute Corporate Governance is an important component of the company's construct and hence the Company ensures that all the transactions with all involved parties are conducted in a responsible and safe manner at all times.

In addition and in an effort to make the Company's shares attractive investment option for the existing shareholders and new investors alike, the Company adopts a clear and transparent communication with all of its shareholders at all times.

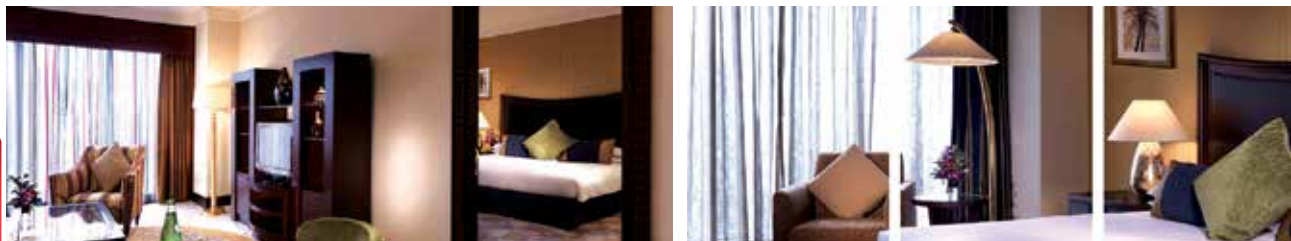
In doing so, the Company's management periodically announces the results of its operations transparently and accurately in line with the requirement of the Corporate Governance Code and International Accounting Standards, in addition to the prevailing laws of the Kingdom of Bahrain.

Further to the above, the Company complies with the requirement of the Corporate Governance Code and ensures compliance with best international practice.

This report reflects in a clear and transparent manner. The Company's compliance with and implementation of the Companies Corporate Governance Code content for the financial year 2018

### 2 Dealings of the Directors, and their relatives in the Company's Shares

There were no dealings conducted (sale / purchase) in the Company's shares by the members of the Board of Directors, their spouses or their children during the year.





## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 3 Composition of the Board

#### A. Current Board of Directors composition:

No.	Name	Type (executive, non-executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
1	<b>Faisal Ahmed Al Zayani</b>	Independent / non-executive	<ul style="list-style-type: none"> <li>A reputable Businessman in the Kingdom of Bahrain</li> <li>He holds a PhD in Management.</li> </ul>	30/4/1983	31/3/2021	NIL	NIL
2	<b>Adel Nuhaba Hamada</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently serving as the Director of Investment Accounting Department at the Kuwait Investment Authority.</li> <li>Has extensive experience in the Business Management.</li> <li>Held several positions in the Presidential Positions including General Manager of Yousif Mohammed Al Shaya Group, Director of Financial Affairs, Director of Purchasing and Warehousing Department, Director of Internal Audit Department, General Revenue Controller and Head of Cost and Budget Accounts at various periods in Kuwait Public Transport Company.</li> <li>Held the position of Senior Accountant at Kuwait Real Estate Investment Group.</li> <li>Holds a Bachelor of Commerce degree from the University of Kuwait and a Master's degree in management and management accounting from Kens College of Business, London.</li> </ul>	28/3/2018	31/3/2021	NIL	NIL
3	<b>AbdulAziz Abdullah Alisa</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently serving as the Executive Director of Legal Affairs and Secretary of the Board of Directors of the Social Insurance Authority.</li> <li>Holds a Basic Supervision Diploma from the University of Bahrain and a Bachelor of Law from the University of Beirut.</li> </ul>	29/3/2013	31/3/2021	NIL	NIL
4	<b>Meshari Zaid Al Khalid</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently serving General Manager of Al-Khalid International Group, Kuwait</li> <li>Has extensive experience in the Business Management.</li> <li>Held several key positions, including; a General Manager of the Kuwait Real Estate Investment Group, Chairman and Managing Director of Safat Real Estate Company, Executive Committee member of the Egyptian Gulf Bank and the Kuwait-Egypt Investment Company.</li> <li>Holds a Bachelor's Degree in Commerce from the college of Business Administration, Cairo University.</li> </ul>	27/3/2002	31/3/2021	NIL	NIL





## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 3 Composition of the Board (continued)

#### A. Current Board of Directors composition: (continued)

No.	Name	Type (executive, non-executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
5	<b>Faisal Yousif Al Meshari</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently serving Assistant General Manager for Investment and corporate Finance at the Kuwait Investment Company.</li> <li>Senior Manager within the Business Development Department at the Kuwait Investment Company.</li> <li>Held the position of Financial Analyst at Kuwait and Middle East Financial Investment Company.</li> <li>Holds a Bachelor's Degree in finance from the Administrative Sciences College - University of Kuwait.</li> </ul>	28/3/2018	31/3/2021	NIL	NIL
6	<b>Elham Adel Ahmed</b>	Non-executive	<ul style="list-style-type: none"> <li>Senior Investment manager within the strategic investments department at Osool Asset Management BSC©.</li> <li>Held the position of Financial Analyst at Bahrain National Holding Company.</li> <li>Held the position of financial analyst at Ithmaar Development Company.</li> <li>A Chartered Financial Analyst (CFA) and a holder of a Bachelor's Degree in Banking and Finance from the University of Bahrain.</li> </ul>	28/3/2018	31/3/2021	NIL	NIL
7	<b>Shehab Ahmed Haji</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently works as an investment manager in the General Reserve Sector at the Kuwait Investment Authority.</li> <li>Held several positions in various banking fields, most notably the position of Relationship Officer at Gulf Bank in Kuwait.</li> <li>Holds a Bachelor's Degree in financing and management of financial institutions - the College of Administrative Sciences from the University of Kuwait.</li> </ul>	28/3/2018	31/3/2021	NIL	NIL







## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 3 Composition of the Board (continued)

#### B. Description of the following:

1. The directors remuneration for the past year (2017) was BD 119,500.
2. The total remuneration of the directors proposed for the current year (2018) is BD 119,000, which will be presented at the Annual General Meeting for approval.
3. The following is a list of the attendance fees of the committees of the Directors for the financial year 2018:

No.	Name	Attendance allowances for committees of the Board		
		Name of Committee	Value of the allowance (Bahraini Dinar)	Number of meetings
1	Abdulaziz Abdullah Alisa	Executive Committee	750 /-	4
2	Adel Nuhaba Hamada	Executive Committee	750 /-	4
3	Faisal Yousif Al Meshari	Executive Committee	750 /-	2
4	Sulaiman AbdulRasool Ghuloom (Ex. Director)	Executive Committee	750 /-	1
5	Ayad Abdullah Al-Sumait (Ex. Director)	Executive Committee	750 /-	1
6	Abdullatif Ahmed Al Zayani (Ex. Director)	Executive Committee	750 /-	1
7	Meshari Zaid Al Khalid	Audit Committee	750 /-	4
8	Elham Adel Ahmed	Audit Committee	750 /-	4
9	Shehab Ahmed Haji	Audit Committee	750 /-	4
10	Hashem Saif AlSaif (Ex. Director)	Audit Committee	750 /-	1
11	Abdulaziz Alisa (Ex. Director)	Audit Committee	750 /-	1

#### C. Meetings of the Board of Directors:

In accordance with the Company's Articles of Association, the Company is required to hold at least four Board meetings annually. During the year ended 31 December 2018, the Board of Directors of the Company held seven meetings to follow up on its activities and to direct the executive management. The following table summarizes the information about the dates and member attendance of those meetings.

#### Board of Directors Meeting Schedule:

Meeting Number	Date of Invitation	Date of the meeting	Attendance **	Number of Absence
1	23/01/2018	15/02/2018	7	-
2	08/03/2018	28/03/2018	7	-
3	29/01/2018	29/03/2018	5 *	-
4	06/03/2018	19/04/2018	4 *	1
5	19/06/2018	19/07/2018	6	1
6	10/09/2018	18/10/2018	7	-
7	05/11/2018	06/12/2018	7	-

\* Representatives of Kuwait Investment Company were not appointed at the time.

\*\* All attended in person, and the video communication was not used.





## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 3 Composition of the Board (continued)

#### D. Duties or competences carried out on its behalf by the Executive Management:

There were no Board of Directors specific tasks or assignments that have been carried out by the Executive Management, based on the basis of a mandate from the Board.

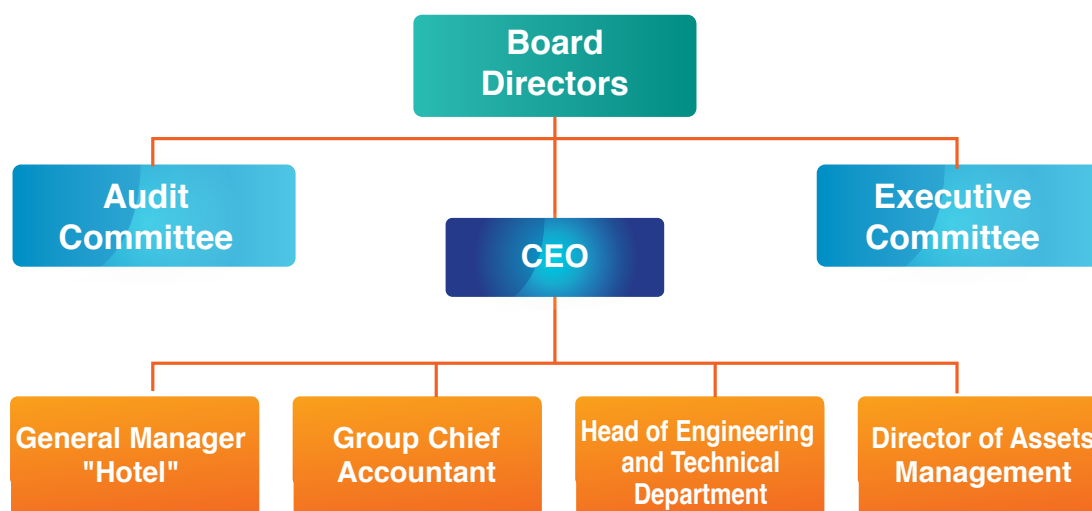
#### E. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors. The following table shows the transactions made with related parties during the year, indicating the nature of the relationship and the type of deal.

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

Related parties	Purchases	Fees for Management services	Other expenses	Revenue and other income
Bahraini Dinar				
Associate company	69,451	-	-	2,000
Management Company (Rezidor)	-	111,122	41,945	-
Directors	-	-	171,500	4,788
<b>Total</b>	<b>69,451</b>	<b>111,122</b>	<b>213,445</b>	<b>6,788</b>

#### F. Organizational structure highlighting the Company's first and second tier of the executive management



G. Total remunerations paid to the key executive officers during the financial year (2018) amounted to BD 689,326/-.





## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 4 External Auditor

Upon a recommendation from the Board of Directors, the Ordinary General Assembly at its meeting held on 29/3/2018 appointed Ms. Ernst & Young as the external auditor of the Company for the financial year ended 31/12/2018, at agreed fee BD 15,000, which includes the review of data quarterly for the period.

Ms. Ernst & Young have been the external auditor of the company since 2002. The external auditor has submitted an unqualified opinion for the year 2018 to the Ordinary General Assembly held on 28/3/2019.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), the Commercial Companies Law of the Kingdom of Bahrain and the directives and regulations issued by the Central Bank of Bahrain.

The table below highlights the External Auditor's details:

<b>Name of Audit firm</b>	<b>Ernst &amp; Young</b>
<b>Years of service as the company's external auditor</b>	<b>17 years</b>
<b>The partner's years of service as the partner in charge of the company's audit</b>	<b>Mr. Essa A Al-Jowder</b>
<b>Total audit fees for the financial statements for the year 2018 (BD)</b>	<b>BD15,000/-</b>
<b>Other special fees and charges for non-audit services other than auditing the financial statements for the year 2018 if any. In the absence of such fees, this shall be expressly stated.</b>	<b>There are no other fees paid to the Auditor</b>

### 5 Audit Committee

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Audit Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts, as it considers necessary from time to time in the performance of its duties. The Committee held five meetings during the year, and the following table highlights the details and the attendance of the committee members for these meetings.

#### Audit Committee Attendance Table :

No.	Name	Position	Number of meetings attended	Dates of meetings held				
				14/02/2018	18/04/2018	18/07/2018	17/10/2018	05/12/2018
1	Meshari Zaid Al Khalid	Chairman of the Audit Committee	4	✓	×	✓	✓	✓
2	Elham Adel Ahmed	Member	4	×	✓	✓	✓	✓
3	Shehab Ahmed Haji	Member	4	×	✓	✓	✓	✓
4	Hashem Saif Al Saif	Ex. Member	1	✓	×	×	×	×
5	Abdulaziz Alisa	Ex. Member	1	✓	×	×	×	×





## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 6 Nomination and Remuneration Committee (NRC)

Due to the size of the Board of Directors; the Nomination and Remuneration Committee was not formally formed by the Board of Directors during 2018. The Board of Directors decided to assign the role and relates Nomination and Remuneration Committee to the Executive Committee, instead.

### 7 Governance Committee

Due to the size of the Board of Directors; the Governance Committee was not formally formed by the Board of Directors during 2018. The Board of Directors decided to assign the role and relates Governance Committee to the Audit Committee, instead.

### 8 Corporate Governance Officer

The Board of Directors has assigned the role of Corporate Governance Officer to the Chief Executive Officer since with the Company in 2019. The following is the resume of the Corporate Governance Officer is as follows:

Mr. Zaher Mohammed Al-Ajjawi has held many key positions during his professional career mainly in the field of accounting, finance and banking. Through his work in international organizations in the United States, the United Kingdom and the UAE, he has acquired many executive and operational skills in banking, investment and real estate sectors. In addition, he has represented a number of companies on the boards and committees of several companies, banks and funds, which gained him considerable experience in the field of corporate governance. Mr. Zaher has participated in many investment conferences and international trade forums, and has attended several training and professional courses, including a project management plan course (PMP) and financial analysis.

Mr. Al Ajjawi holds a Master's degree in Finance (with Honors) from DePaul University in the USA and a Bachelors of science in Accounting (with Honors) from the University of Bahrain. He is also a Certified Public Accountant (CPA) from the State of Illinois, USA. Mr. Zaher can be contacted on the following numbers : 17530838 -17530839 or e-mail : nhczma@batelco.com.bh

### 9 Irregularities committed during the Financial Year

No irregularities have been committed during the financial year 2018.

### 10 Cash and in kind contributions

The company provided many cash contributions to different charities and national establishment reaching a total of BD 30,000/- . The Company maintains the details of these donations and details of the receiving parties within its records.

### 11 Shareholders information

A. The following table shareholder Company's distribute by type of shareholder as of 31 December 2018:

No.	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organisations	Total
1	Local	12.41%	1.61%	32.15%	46.17%
2	Arab	-	0.05%	53.78%	53.83%
3	Foreign	-	-	-	-
4	Total	12.41 %	1.66%	85.93%	100%





## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 11 Shareholders information (contuned)

B. The following table highlights the shareholders with a holding of 5% or more in the Company's share capital, with the name of the natural person / owner of the stock / final beneficiary, as at 31/12/2018:

No.	Name	No. of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Kuwait Investment Authority	36,207,168	32.84%	Government of Kuwait
2	Social Insurance Organisation	35,444,975	32.15 %	Government of the Kingdom of Bahrain
3	Kuwait Investment Company	23,090,302	20.94 %	Government of Kuwait

C. The following table highlights the shareholder distribution by size of ownership as at 31/12/2018:

No.	Distribution of ownership Stock	Number of shareholders	Number of shares owned	Percentage of shares owned by the capital
1	< 50,000	3,961	3,387,063	3.07%
2	50,000 to 500,000	28	5,867,667	5.32%
3	500,000 to 5,000,000	5	7,110,087	6.45%
4	> 5,000,000	3	93,885,183	85.16%
	<b>Total</b>	<b>3,997</b>	<b>110,250,000</b>	<b>100.00%</b>

### 12 The significant events that occurred during the year 2018

The Company successfully completed the lobby and hotel room renovation project during the year, at an approximate cost of BD 7 million.





## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2018

### 13 Compliance with the provisions of Corporate Governance Code:

Principle	Non-compliant	partially Compliant	Fully compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.			✓	
Principle 2: The directors and executive management shall have full loyalty to the Company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit and financial reporting, Internal control and compliance with law.			✓	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			✓	
Principle 5: The Company remunerate directors and senior officers fairly and responsibly.			✓	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			✓	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			✓	
Principle 8: The Company shall disclose its corporate governance.			✓	
Principle 9: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 10: The Company shall seek, through social responsibility, to exercise its role as a good citizen.			✓	

### 14 Any other disclosures required by the regulatory authorities.

There were no other disclosures required by the regulatory authorities with highlighting for the year.

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