



EXCELLENCE

WITHOUT BOUNDARIES

ANNUAL REPORT 2017

Registered Office

Floor 27, Building 470, Road 1010
Block 410, Fakhro Tower, Sanabis
PO Box 26573, Manama
Kingdom of Bahrain

Bankers

National Bank of Bahrain
Bank of Bahrain and Kuwait
Ahli United Bank
National Bank of Kuwait

Registrars

Bahrain Clear
PO Box 3203, Manama
Kingdom of Bahrain

Support Registrars

Karvy Computer Share W.L.L.
PO Box 514, Manama
Kingdom of Bahrain

Auditors

BDO
17th Floor, Diplomatic Commercial Office Tower
PO Box 787, Diplomatic Area
Kingdom of Bahrain



His Royal Highness
Prince Khalifa Bin Salman Al Khalifa

The Prime Minister
of the Kingdom of Bahrain



His Royal Majesty
King Hamad Bin Isa Al Khalifa

The King of the
Kingdom of Bahrain



His Royal Highness
Prince Salman Bin Hamad Al Khalifa

The Crown Prince,
Deputy Supreme Commander and
First Deputy Prime Minister of
the Kingdom of Bahrain

Our History

30/06/1967: The late Amir of Bahrain, Shaikh Isa Bin Salman Al Khalifa, may God rest his soul in peace, issued a charter to establish the Bahrain Cinema and Film Distribution Company (BC & FDC), with the following founder members:

Late Ali A. Rahman Al Wazan/Late Ali Ben Yousif Fakhro/ Late Ezra Ebrahim Nono/ Late A. Rahman Bin Mohamed Al Khalifa/ Mr. Mohamed Yousif Jalal/ Mr. Ali Ebrahim Abdul Aal/ Mr. Ali Yousif Obaidly/ Mr. Sayed Alawi Sayed Maoosa Al Alawi/ Late A. Rahman A. Ghaffar Al Alawi/ Mr. Jassim Mohamed Fakhro. Authorized Capital BD 750,000 Issued Capital BD500,000 distributed over 50,000 shares, at a nominal value of BD10.000 per share.

06/06/1968: BC & FDC commences operations after acquisition of Awal Cinema, Bahrain Cinema & Al Nasr Cinema from late Abdul Rahman Al Alawi.

Al Zubara Cinema was leased from late Ali Bin Ahmed Al Khalifa.

08/06/1968: Opening of Al Hamra Cinema, being the first air-conditioned theater in Bahrain.

20/07/1971: Opening new premises of Awal Cinema after demolishing the old one. Taking over Al Zubara Cinema from late Ali Bin Ahmed Al Khalifa.

06/01/1972: Opening of Andalus Cinema at Isa Town.

01/04/1972: Leasing Awali and Sitra Gate Cinemas from Bapco.

1973: Closing down Al Zubara Cinema.

22/02/1973: Leasing Al Jazeera Cinema from the Government.

1974: Increase of issued and paid-up capital to BD750,000 by offering 25,000 shares as rights issue at the rate of BD30.000 per share.

1975: BC & FDC gets compensated with the Central Market Land in lieu of the ex-Bahrain Cinema Land. Fire breaks down at Andalus Cinema.

1976: BC & FDC changes its name to Bahrain Cinema Company (BCC)

17/06/1978: Another fire breaks down at Andalus Cinema.

27/08/1979: A major fire breaks down at Awal Cinema.

1979: Converting Al Nasr Cinema into an air-conditioned theatre.

1981: Doubling the issued and paid-up capital to BD1,500,000 through issuance of 100% bonus shares, and splitting the share to BD1.000.

1983: Opening new premises of Awal Cinema and closing Sitra Gate Cinema.

1984: Induction of new management force represented by Dr. Esam Abdulla Fakhro as the Managing Director and Mr. Ahmad A. Rehman Rashed, as the General Manager.

1985: Opening of Bahrain Video and Video Matic outlets.

BCC sells it's share in Oman Arab Cinema.

1988: Opening of Budaiya Video outlet.

1989: Disposal of Andalus Cinema to the Ministry of Information.

1990: Reduction of paid-up Capital to 1,259,880 following a write off of 240,120 shares + cash in a barter deal with the Government to surrender Andalus Cinema.

1991: sale of usufruct right of Al Jazeera Cinema Closing down Awali Cinema

1992: Increase of authorized capital to BD3 million.

Increase of issued and paid-up capital to BD1,385,868 through issuance of 10% bonus shares.

Split of shares to 100 fils per share.

1993: Increase of issued and paid-up capital to BD1,524,455 by issuance of 10% bonus shares.

1996: Opening 2 screens of Delmon Cinema at GOSI Building.

1997: Increase of paid-up capital to BD1,722,635 through issuance of 13% Bonus shares.

Opening of Al Seef 6 screens Cineplex at Seef Mall.

1998: Increase of paid-up capital to BD1,998,257 through issuance of 16% bonus shares.

05/05/2000: Al Nasr Cinema shuts down permanently after a major fire breaks down.

Al Hamra Cinema shuts down temporarily for repairs caused by fire.

28/06/2000: Opening of Al Jazeera 2 Screens Cineplex at Muharraq Island.

26/12/2000: Opening of 4 Screens Saar Cineplex at Saar.

07/02/2001: Re-opening Al Hamra Cinema.

03/04/2001: Closing of Al Raffain & Awali Video outlets.

19/09/2001: Opening of Seef 10 screens Megaplex.

07/05/2002: Opening of "Rendezvous" open buffet Restaurant in Seef Mall.

2002: Closing of Videomatic Video outlet.

28/02/2003: Closing of Budaiya video.

31/12/2003: Closing of Bahrain video.

31/01/2004: Closing of Delmon video.

11/04/2004: Increasing the paid-up capital to BD2,297,993 by issuance of 15% bonus share.

29/04/2004: Opening of a new 14 screens Cineplex at the Doha City Center, Qatar.

16/06/2004: Increase of authorized capital to BD10 million.

30/09/2004: Delmon Cinema, at the Gosi Mall shuts down permanently.

04/01/2005: The signing of a new 20 Screens Cineplex at the Bahrain City Center.

16/01/2005: Increase in the paid-up capital to BD2,597,734 by issuance of 2,846,843 rights issue shares at the rate of 500 fils per share.

29/03/2005: Increase in the paid-up capital to BD2,942,430 by issuance of 15% bonus share.

18/03/2006: Increasing the paid-up Capital to BD3,383,795 by issuance of 15% bonus shares.

25/05/2006: Increase in the paid-up Capital to BD3,825,160 by issuance of 4,413,650 rights issue shares at the rate of 600 fils per share.

13/11/2006: Closing down of Snooker Centre.

01/01/2007: Opening of Taka Tak Casual Indian Restaurant in Awal Cinema Complex.

15/01/2007: The Signing of a 13 Screens Cineplex at the Villagio Mall, Doha, Qatar.

22/10/2007: Reduction of number of directors to seven.

24/01/2008: The sad demise of the Chairman Ali Bin Yousif Fakhro, may his soul rest in peace.

10/02/2008: The formation of the BREADTALK joint venture.

03/03/2008: Increasing the paid-up capital to BD4,590,192 by issuance of 20% bonus shares.

30/04/2008: Sale of Central Market land.

22/10/2009: The opening of Cineco 13 at the Doha Villagio Mall.

26/11/2009: The opening of Cineco 20 at the Bahrain City Centre.

21/01/2010: Opening of Awal Banquet Hall

02/09/2010: Opening of the 3rd branch of Bread Talk at the Bahrain City Center

31/12/2010: The Formation of Qatar Bahrain International Cinema W.L.L.

22/03/2011: Increase in the paid-up capital to BD5,508,230 by issuance of 20% bonus shares.

07/04/2011: The opening of the 2nd branch of Rendezvous in City Center.

01/01/2012: Company exits from breadtalk by selling it's shares to the existing shareholders.

28/05/2012: Villagio mall in doha shuts down for 115 days as a result of an unfortunate fire incident.

21/03/2013: Re-opening of Rendezvous restaurant after renovation in Seef.

06/10/2013: Shifting of Corporate Office to Fakhro Tower, Sanabis.

26/03/2014: Increase in the paid-up capital to BD 6,609,876 by issuance of 20% bonus shares.

27/12/2015: Opening of Takatak Restaurant outlet in Dragon Mall in Diyar Al Muharraq.

03/01/2016: Closing down of Awal Cinema and closing of TakaTak Restaurant in Awal Complex.

14/04/2016: Opening of 6 screens Cineplex in Wadi Al Sail Mall.

19/04/2016: Opening of 3 screens Cineplex in Al Khor Mall in the State of Qatar.

26/05/2016: Opening of 13 screens Cineplex in Gulf Mall in the State of Qatar.

25/08/2016: Opening of Rendezvous Restaurant in Wadi Al Sail Mall.

06/10/2016: Opening of Rendezvous Restaurant in Gulf Mall, State of Qatar.

14/05/2017: The opening of Takatak/ Chaat & Chai food outlets in Lulu Hyper Market in Hidd.

28/08/2017: Increasing the number of directors from seven to eight by appointing the CEO Mr. Ahmed A. Rashed, as the eighth Director of the Company.

28/08/2017: Increase in the paid-up capital to BD8,262,345 by issuance of bonus shares at the rate of 25% of the paid up capital.



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Board of Directors



Dr. Esam Abdulla Fakhro
Chairman



Ali Yousif Ubaydli
Vice-Chairman



Mohammed Ebrahim Kanoo
Director



Jalal Mohamed Jalal
Director



Fareed Yousif Almoayed
Director



Jihad Yousif Amin
Director



Shawqi Ali Fakhro
Director



Ahmed A. Rahman Rashed
Chief Executive Officer
and Director



Dr. Esam Abdulla Fakhro
Chairman

Dear Shareholders,

On behalf of my colleagues on the Board, I am delighted to present the Annual Report and its accompanying consolidated financial statements for the financial year 2017. I am very pleased to report that 2017 was an exceptional and the most successful year in the history of the Company as it has achieved its highest profit since inception. During the year, 2017, Global economy witnessed upswing and reported the growth rate of 3.6% because of broad based upward revisions in Europe and Asia. Bahrain economy also revived from the down ward trend of 2016, gained growth momentum and posted annualized growth rate of 3.4% which is slightly higher than 3.2% reported in the year 2016. Bahrain's economy regained its growth momentum due to robust strong growth in non-oil sectors viz., tourism, financial services, social & personal services & infrastructure services. Share markets of GCC also witnessed the recovery in the year 2017. Prevalence of growth in the Country's economy reflected positively on the performance of the Company.

With decades of experience in running the cinemas successfully, we have strengthened our competitiveness through investment in technology and improved efficiency. We have inculcated performance-based culture with a sense of acuity, accountability and entrepreneurship.

Beauty and
the Beast
February 2017



While the Company is beginning to move towards the next level of growth based on solid foundation built over past 50 years, we always refocus our Company to be in the business where we lead by investing in new capability to capture future growth. Our Group's strong capital base, dominant market share and sound liquidity position helped to take advantage of all opportunities. Our Group has been exhibiting steady growth in operational efficiency. We have challenged ourselves to hit aggressive financial goals. With decades of experience in running the cinemas successfully, we have strengthened our competitiveness through investment in technology and improved efficiency. We have inculcated performance-based culture with a sense of acuity, accountability and entrepreneurship. We have created the atmosphere that empowers the employees who can focus on doing the things effectively. Our Group has been successful in developing our business footprint which provides the strong foundation for future business growth. Our focus is on maximizing value for the shareholders and meeting our customers' evolving needs.

Our Group has opened new Takatak restaurant for providing authentic Indian and Chinese cuisine along with a first of its kind of Indian street food cuisine restaurant, Chaat & Chai in Lulu Hyper Market in Hidd to add to the exquisite restaurant line-up of the Group. Since the performance of Takatak outlet in Dragon Mall in Diyar Al Muharraq is as per the budgetary expectations & contributed positively to the net profit of the Company, our Group is planning to open similar Takatak outlets in other parts of Bahrain which will provide further impetus to the top line growth.

During the year 2017, our Group has successfully renovated Al Hamra Cinema, the very first air-conditioned theatre in Bahrain, by completely overhauling the cinema by changing present ramp layout to partial stadium seating layout, providing well-equipped mask system for the screens for improved image quality, replacing the old seats and carpets and creating additional balcony. Renovation has substantially enhanced the ambience of Al Hamra Cinema and provides modernized face lift adding popularity among the expatriates.

Our Group has also renovated Saar Cineplex in the year 2017 by creating proper stadium seating, replacing the existing seats and carpets with new ones to enhance its ambience.

Our Group has passion and commitment to innovation and quality to provide audiences in Bahrain the world's most immersive movie-going experience. VOX Cineco Cinemas, the Company formed by Joint Venture between Bahrain Cinema and VOX Cinemas has introduced The IMAX screens at Cineplex of City Centre from 1st November, 2017. The IMAX experience offers audiences the latest in cinematic technology with awesome and inspiring pictures & heart-pounding audio that provides new fascinating experience to the viewers. Every element in IMAX screens is planned, designed and positioned with precise standards with two projectors running simultaneously to perfect the balance of warmth and sharpness in the image to create the most realistic movie experience.

Financial Highlights for the year 2017:

I would now like to present the highlights of our company's performance during the year 2017 which is the testimony of our operational capabilities & success of our strategic decisions. The financial results are on upsides due to the booking of profit from sale of 50% of the assets of Cineco 20, City Centre to Majid Al Futtaim Bahrain Cinemas through Joint Venture and also due to the increase in the revenues of restaurant business. At Cineco, we relentlessly work to improve efficiency and quality. Our focus is on increasing revenue, containing costs, building competitiveness and ultimately bolstering the net profit. Operating income for the financial year 2017 was BD14.84 million as compared to BD22.88 million registered in the financial year, 2016. The decline in the operating income is purely due to booking of the operating income from Cineco 20 City Centre in the books of VOX Cineco Cinemas Company from 1st July, 2017. Consequently, Operating gross profit is also declined by 49% as Operating Gross profit for the year 2017 was BD 4.01 million as against the Operating Gross profit of BD7.8 million registered in the year 2016. The Group had recorded highest profit in its history and year on year Net Profit for the year 2017 was BD 34.70 million compared to BD4.86 million in 2016. The Earnings per share for the year 2017 was 438 Fils. The total balance sheet footings stood at BD82,898,054 .

Geopolitical instability between State of Qatar and other GCC Countries has impacted negatively the business performance of Qatar Bahrain International Cinema (QBIC). Joint venture profit from Qatar Bahrain International Cinema is declined due to the non-prevalence of normal relations between the State of Qatar and other GCC Countries and also due to higher rental costs. The Company has provided the impairment of BD2,579,478 with regards to its investment in Qatar Bahrain International Cinema and BD230,260 being the investment made in Al Murjan Restaurant due to protracted political standoff.

Unrealized fair value gain on financial assets at Fair Value Through Profit or Loss as on 31st December, 2017 was BD176,598. The Return on Capital Employed (ROCE) and Return on Assets (ROA) for the year, 2017 were 46.5 % and 41.86 % respectively.

On successful completion of all the closing conditions pertaining to synergetic deal of the Joint Venture with Majid Al Futtaim Bahrain Cinemas and the subsequent handing over of 50% of assets of Cineco 20, City Centre to VOX Cineco Cinemas from 1st July, 2017, the Company has booked windfall profit of BD39.12 million in the financial year, 2017. Our Group wanted to reward the shareholders and declared bonus shares @25% of the Capital in the third quarter of the financial year, 2017. The joint venture with Majid Al Futtaim secures Bahrain Cinema, the business of Cineco 20 for the next 21 years thereby regular profit stream is assured for the shareholders as Bahrain Cinema always collaborate to amplify the success. Through this Joint Venture, we have translated our strategic ideas into a reality.

We have the philosophy of providing regular and stable payout for our investors. We recommend the payment of 50 fils per share aggregate of 50% of base equity, which we have been constantly paying to the shareholders for the last eleven financial years.

Future outlook:

Your Company is constantly endeavoring to enhance the stakeholders' value and always strive for the prosperity of all stakeholders. With the advent of new entrants in Cinema industry in Bahrain, it is essential to profoundly use our capacity to serve wide ranging needs of the customers to maintain the Company's overarching position in cinema industry in Bahrain.

Since The Government of Saudi Arabia has decided to allow the operation of cinema business in its territory nearly after 35 years, we are also exploring the opportunities to expand our business in the Kingdom of Saudi Arabia.

The Group is also planning to open Takatak & Rendezvous Restaurants in the Kingdom of Saudi Arabia to harness the opportunity in the growth economy. Opening of Cineplexes and Restaurants will definitely create a strong footprint of Bahrain Cinema in the Kingdom of Saudi Arabia. As a part of expansion strategies in geographical terms, we are exploring the opportunity for expand our business in other GCC countries as well.

Our Group always aims to explore the new area of success as we constantly endeavor to sustain growth. The construction of 10 screens Cineplex in Oasis Mall in Juffair is just started and the Cineplex is expected to open from the third quarter of the financial year 2018.

The construction of new "Awal Plaza" residential cum commercial building in the place of Awal Cinema has been successfully completed and the Company inshallah will begin to earn rental income from 1st March, 2018. The rental income from this building will increase the net profit of the financial year, 2018 and will ensure diversified and regular revenue stream to the Company in the years ahead.

The Group is planning to open "The Red Dragon" outlet serving exclusively Chinese cuisine in the Dining Village, next to the Dragan Mall. "The Red Dragon" outlet is expected to commence its operations in the month of May, 2018.

The Group always strives to maintain and improve the profit by expansion and diversification. As a part of diversification strategy, the Group has plans to embark on indoor go-karting Entertainment Centre for running Electric Go-karts initially in Bahrain and subsequently this will be opened in other parts of the GCC Countries.

We are looking for successful & eventful 2018 as we accelerate our pace of growth through expansion and diversification strategies to raise the shareholder value.

Empowering People:

On behalf of the Board, I extend my appreciation to the entire Cineco Team under the astute leadership of Chief Executive Officer, who is known for his executory skills, dedication, hard work, possession of vast knowledge and professionalism, has made the Company to deliver top-tier financial performance. The shareholders, as a symbol of acknowledging the competent leadership of Chief Executive Officer for leading the Company for nearly four decades, has honored him by electing him as a Board director of the Company in the Extra-ordinary General Meeting held on 28th August, 2017. I also appreciate highly motivated and ambitious employees for making the Company to achieve consistent success. 2017 is the year of impressive accomplishments and this success would not have been possible without excellent team effort, dedication and hard work. I feel privileged to lead this company with such talented people. Our management team and our employees do outstanding work every single day. I look ahead with bright optimism and hope the employees will continue to strive for excellence and defies all challenges to maintain the Company's profound success.

Board of Directors:

I wholeheartedly appreciate the Board of Directors for their continued support and efficient governance of the company. The Board of Directors displays high level of care, diligence, determination and skills in the discharge of their functions. The Board of Directors has expertise in cinema business through the vast experience. The Board of Directors discharge their functions in good faith and without relegating the interests of any group of stakeholders. Board of Directors take decisions in the Board meeting judiciously and are free to put forward their opinions & ideas for the improvement in the functioning of the Company. The Board of Directors takes policy decisions to sub serve the interests of all the stakeholders.

Shareholders:

On behalf of the Board of Directors, I wish to convey fervent thanks to all our esteemed shareholders for their cooperation and support as we are ready to next level of development. The Board always makes honest efforts for attaining excellence and to protect the interests of the shareholders. I look forward for your invaluable support to be extended to the company.

Legal Case:

With reference to the Central Market Land case in Kuwait, the Kuwaiti Courts have given the verdict to conduct an auction to sell the assets of the defendant and the proceeds of the same will be distributed among all the plaintiffs on prorate basis.

Corporate Governance:

The Board of Directors always endeavors to uphold the highest standards of Corporate Governance in words and spirit. The Board of Directors always strives for complying with all the rules & regulations of Government as well as the directives and guidelines issued by the Statutory Authorities. Good Corporate governance is the beacon of our philosophy. Our Company has made enormous efforts to comply with the provisions of Corporate Governance Code issued by the Government of Bahrain. The Board of Directors presented its first report on Corporate Governance on 26th February, 2012 with the aim of elevating the value of shareholders.

CSR Initiatives:

Serving society is always one of the Company's goals. In pursuance of this, our Group has plans to start a Charity community Medical Centre. Sustainable growth is high on our list of strategic goals. We can sustain our phenomenal growth by being a valuable Company and by engaging every member of the society. We have implemented many initiatives to underscore our ambition of providing valuable services to the Society. Serving society is pervasive in all the arenas of the Company's operations.

Proposed Appropriations:

The Board of Directors takes pleasure in recommending for the approval of shareholders the following appropriations:

- Cash Dividend of 50% (BD.3,958,185) equal to 50 Fils per share;
- Allocation to Charity Reserve BD 50,799.

Directors Remuneration:

The Director's remuneration for the year 2017 was BD 206,000. Additionally, sitting fees of the directors for attending Board and Committee meetings held during the year 2017 amounted to BD 92,500.

Acknowledgements:

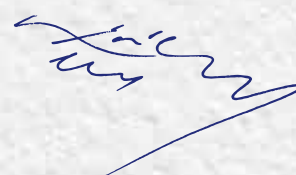
On behalf of myself and the Board of Directors, I would like to express my thanks, deep gratitude and appreciation to His Majesty King Hamad Bin Isa Bin Salman Al Khalifa, King of the Kingdom of Bahrain and His Royal Highness Prince Khalifa bin Salman Al Khalifa, the Prime Minister, and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Deputy Supreme Commander and First Deputy Prime Minister, for their continuous co-operation and constant support. I would like to thank all the Ministries and officials from the Ministries and institutions of the Kingdom of Bahrain for their invaluable support extended to the Company.

I wish the Group to accomplish new milestones of achievements in the future surpassing its previous financial results as we embark on future with renewed enthusiasm. I am confident that the future performance of the Company will commensurate with the confidence reposed on us by the shareholders and the Society at large.

We have strengthened our competitiveness through improvement in technology and improved efficiency. We would like you to join us in a future that is better and brighter than what has ever been imagined.

On behalf of the entire Cineco management team, thank you for your support and we hope you continue to enjoy your movie going experience and See the Big Picture.

Yours Sincerely,



Dr. Esam Abdulla Fakhro

CHAIRMAN

25th February, 2018



Smurfs: The Lost Village
March 2017

Management Team



Boss Baby
March 2017



Going in Style
April 2017



Mrs. Karima Farhad
Chief Administrative Officer



Mr. Karnam Yugandhar
Chief Financial Officer



Mrs. Anuradha Narasimhan
Company Secretary &
Corporate Affairs



Mr. Sunil Bayalan Balan
Chief Operating Officer
(Cinemas)



Mr. Jürgen Geier
Chief Projects and
Development Officer

Policy:

The Board of Directors of Bahrain Cinema Company has unflinching commitment to ethical values. The Board of Directors of the Group implements the Corporate Governance Procedures to attain optimum value for the shareholders as well as to protect the interests and rights of the shareholders. The Board of Directors always believes that the excellence can be achieved through compliance with the provisions of the Law, Rules and Regulations promulgated by the Government and Regulatory Authorities in word and in spirit. The Board of Directors of the Group aspires to maintain the highest standards of ethical conduct. The Board ensures that the Company adheres to the best Corporate Governance Practices and is being governed in a transparent and efficient manner. The Corporate Governance Frame work of the Group ensures formulation of well-defined strategy, infallible execution of the strategy, compliance with International Financial Reporting Standards and reporting the financial results in an accurate and transparent manner. The paradigmatic values of the Group are attaining excellence in all operations, achieving sustainable growth, equitable treatment of all the shareholders, mitigating the risk, imbibing ethical values in decision making process, periodical evaluation of the performance of the Board and executive management, etc., To enhance the compliance with Corporate Governance Rules, the Group has been following best corporate practices viz., publishing financial results to the public as per the requirement of the Law, germane disclosure of information in the financial statements, well defined levels of authority and responsibility in the various layers of organizational hierarchy, updating the website as per the requirements of the Law etc.,

The Group always endeavors to sustain the highest standards of corporate governance in all the arenas of the business activities and also addresses the social, regulatory and environmental requirements.

The Corporate Governance Code of the Company incorporating the provisions mentioned in High level Controls in Volume 6 of the Central Bank of Bahrain Rule Book were approved by the Board of Directors on 27th September, 2011 with the aim of enhancing the shareholders' value.

The Group has been regularly adhering to Laws, Rules and Regulations through its 50 years of existence and always endeavors to work for the shareholders, customers, employees of the Group and also work for the society at large. The endowment provided by the Group for the betterment of the Society has been appended to this Corporate Governance Report as Corporate Social Responsibility Report.

The Group has revamped its website by publishing the Annual Reports for the financial years from 2009 to 2016 and also the interim Financial Statements for the three quarters of the financial year, 2017 in its website. In addition to that, the Group has published the Notice of latest Annual General Meeting and Extra-Ordinary General Meeting in its website pursuant to the requirements of Corporate Governance Code.



Corporate Governance Developments During The Year, 2017

Mr. Ahmed A. Rashed AlBastaki, Chief Executive Officer of the Company was elected as the director of the Company by the shareholders in the Extra-ordinary General Meeting held on 28th August, 2017 and Articles of Association was amended to increase the number of directors from seven to eight. Mr. Ahmed A. Rashed AlBastaki was provided with information related to Corporate Governance Guidelines, the Charter of the Board & Committees and other Policies of the Company. The Charter of the Board was also subsequently amended to incorporate the increase in number of directors from seven to eight.

Major Shareholders As On December 31, 2017:

The existing share structure of the Group consists of only ordinary shares and there are no different classes of ordinary shares. The shares of the Company are listed in Bahrain Bourse and the face value of the share is 100 fils per share. All the shares are fully paid. Major shareholders of the Company as on 31st December, 2017are as follows:

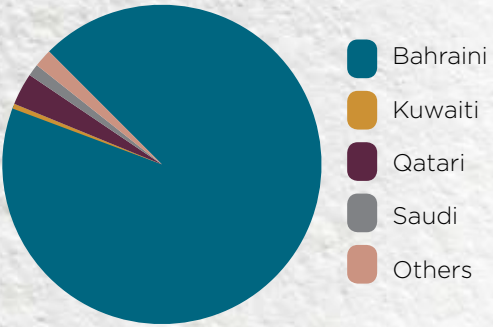
NAME
Bahrain Family Leisure Company BSC
NATIONALITY
Bahraini
NUMBER OF SHARES
5,724,070
%OF HOLDINGS
6.93%

NAME
Mr. Yousif Abdulla Amin
NATIONALITY
Bahraini
NUMBER OF SHARES
4,703,158
%OF HOLDINGS
5.69%

DISTRIBUTION OF OWNERSHIP BY NATIONALITY:

The percentage of shareholding by various nationalities is mentioned below:

NATIONALITY Bahraini NO.OF SHAREHOLDERS 438 TOTAL SHARES 81,960,583	NATIONALITY Kuwaiti NO.OF SHAREHOLDERS 2 TOTAL SHARES 96,218	NATIONALITY Qatari NO.OF SHAREHOLDERS 16 TOTAL SHARES 203,030
NATIONALITY Saudi NO.OF SHAREHOLDERS 4 TOTAL SHARES 180,945	NATIONALITY Others NO.OF SHAREHOLDERS 8 TOTAL SHARES 182,674	TOTAL NO.OF SHAREHOLDERS 468 TOTAL SHARES 82,623,450



Ownership By Government:

Government of Bahrain does not own any share in the Company.

Board Of Directors:

The Board of Directors provides vital leadership to the Group as they are primarily responsible for effective Governance of the Group. Directors apply care, diligence and skill in the discharge of duties as a Director. The Board of Directors of the Group is known for their honest, integrity, dedication, credibility and highest degree of compliance with law and provides clear, comprehensive and accurate information to the shareholders. They are accountable to the shareholders as they have to discharge their fiduciary duties towards the shareholders. The Board of Directors instills best practices to the matters assigned to them and follows equitable and balanced approach to maintain the reputation earned by the Group over the years. The Board of Directors always makes judicial judgment of the situations and takes the decisions in order to subserve the interests of the shareholders. The Board of directors formulates the strategic objectives and broad policies of the Company, indites corporate strategies and plans to achieve these objectives, makes all round efforts for the efficient running of the business by ensuring availability of adequate resources as well as managing those resources effectively and ensures effective implementation of the plans & strategies to attain financial prosperity of the shareholders. The directors provide direction and guidance to the executive management and monitor the functioning of the company. Every director has to appear for re-election after the expiry of three years from the date of appointment. The Board of directors is having the absolute right to seek independent professional guidance/ advice for the efficient and effective discharge of the functions of a director at the Group's expense.

The Board of Directors are abreast of not only the latest developments in the field of Cinema business & restaurant business in Bahrain and in abroad but also the amendments to the various Laws and the new Rules & Regulations ordained by the Government & other Statutory Authorities. The directors of the Board are of high caliber. The Board of directors of the Group follows transparent procedures and practices in such a way that judicious decisions are taken in the Board meeting without any fear or favor with the aim of maintaining the success of the organization and enhancing its public image. The Board of directors takes the decisions after evaluating the all aspects of each option. The board of directors of the Group has expertise, skill and experience. The Board of directors regularly monitors the functioning of the management team and exercise effective control over the affairs of the Group. The Board of directors of the Group focuses both on long term and short term objectives.

The Board annually reviews its composition to ensure that composition of the Board is as per both the statutory requirements of the Rules and Regulations of the Country and the functional needs of the Group.

Board Procedure

The Board procedure is lucidly defined by the Charter of the Board. The Group has the practice of circulation of agenda and other supporting documents well in advance to enable the directors to deliberate and decide on all matters listed in the agenda to constantly enhance the performance of the Company.

Mandate And The Specific Responsibilities Of The Board Include:

- Monitoring the performance of the executive management to ensure that the executives are compensated fairly.
- Ensure that financial statements are free from errors and frauds.
- Ensure judicious allocation of resources to achieve the goals enshrined in the Corporate Strategy Plan.
- Overseeing the direction and management of the company in accordance with Commercial Companies Law and other Rules and Regulations ordained by the Government of Bahrain and the Central Bank of Bahrain.
- Periodic evaluation of the operational performance of the company and give instructions for improvement.
- Disclosure of financial information to the Government Authorities and the public within the stipulated time.
- Recommendation of dividend payable to the shareholders.
- Ensuring integrity and fairness of the financial and accounting system, existence of well-defined internal control system, independence of audit and the system to ensure the compliance of Laws and Regulations.
- Govern the management by issuing rules and formulating policies and procedures.
- Periodical review of the Succession Plans of CEO and other members of the management who are directly reporting to CEO.

Material Transactions Requiring Board Approval:

- Approval of Corporate Strategy Plan
- Approval of investment above the authorized threshold limit of the Executive Committee.
- Approval of Policies and Procedures for the Company.
- Approval of financial statements.
- Approval of Budgets, Capital Expenditure Budget, major contracts, diversification plans/ divestment.
- Appointment of CEO
- Optimum allocation of resources among various functions to attain the goals of the Company.
- Approval of acquiring or selling patent rights, trade marks, licenses or other intellectual property rights.

Directors' Profiles:

Dr. Esam Abdulla Fakhro- Chairman

Chairman	Abdulla Yousif Fakhro& Sons
Board of Advisors	AMA (Private University)
Second Vice Chairman	Qatar Bahrain International CinemaWLL
Deputy Chairman	National Bank of Bahrain
Chairman of Executive Committee	National Bank of Bahrain
Executive Director	General Trading & Food Processing Co BSC
Director	Trafco Logistics Company
Board Director	Bahrain Live Stock Company
Chairman	Business International (Xerox)
Chairman	Fakhro Electronics
Board Director	Fakhro Restaurants Company (McDonald's)
Chairman	Budget Rent - A Car (Bahrain)
Chairman	Fakhro Insurance Services Co.
Chairman	Fakhro Contracting Co.
Board Director	Fakhro Shipping
Chairman	Go Rent A Car (Qatar)
Chairman	Go Rent A Car (Dubai- Abu Dhabi-Sharjah- Fujairah)
Chairman	Fakhro Motors (BYD)
Chairman	Access Telecom (Dubai)
Chairman	Modern Exchange Company BSC (c).
Chairman	Kingdom Investments SPC
Chairman	Bahrain Islamic Bank B.S.C (BisB)
Chairman	Jouri Gardening
Director	VOX Cineco Cinemas Company W.L.L

Mr. Ali Yousif Ubaydli- Vice- Chairman

Director	Aluserv Middle East WLL
Director	Trans Gulf Consult
Managing Director	Yusuf Ali Ubaydli WLL
Managing Director	Yusuf Ali Ubaydli Ventures WLL
Director	Royal University for Women
Director	The Gulf Gourmet Group WLL
Director	The Malls Company

Mr. Mohammed Ebrahim Kanoo- Director

President & Chairman	Ebrahim Khalil Kanoo B.S.C. (c).
Chairman	Awal Gulf Manufacturing B.S.C (c).
Chairman	The Malls Real Estate Development BSC(c).
Deputy Chairman	The Royal University for Women BSc (c).

Mr. Jalal Mohamed Jalal- Director

Managing Director	Mohammed Jalal & Sons Group of Companies
Chairman	Gulf Business Machines
Chairman	Bahrain Airport Services
Chairman	Bahrain Business Machines

Director	Awal Readymix Concrete Co
Director	Bahrain Duty Free Company
Director	BANZ
Director	BIADCO
Managing Director	Awal Printing Press

Mr. Fareed Yousif Almoayed- Director

Deputy Chairman	Y.K.Almoayyed & Sons B.S.C (c).
Deputy Chairman	Y.K.Almoayyed & Sons Properties Co WLL
Deputy Chairman	Ashrafs
Chairman	Bahrain Property Management
Director	Bahrain Foundation Construction Co.
Director	Crown Industries
Director	Bahrain Scrapmould

Mr. Jehad Yousif Amin - Director

Director	Bahrain National Holding
Executive/Investment Committee member	Bahrain National Holding
Director	Bahrain National Insurance
Vice- Chairman	Banader Hotels
Director	TRAFCO
Member, Audit Committee	TRAFCO
Member, Metro Markets Committee	TRAFCO
Director	BMMI
Member, Executive/Investment Committee	BMMI
Director	Bahrain Live Stock
Member, Executive Committee	Bahrain Live Stock
Director	United Insurance Company
Member, Investment Committee	United Insurance Company
Director	Bahrain Duty Free Complex
Member, Investment Committee	Bahrain Duty Free Complex

Mr. Shawqi Ali Fakhro- Director

Director	Zallaq Resort Co. BSC
Director	BMMI BSC
Director	Bahrain Kuwait Insurance BSC
Chairman & Managing Director	Ali Bin Yousif Fakhroo & Sons W.L.L
Chairman & Managing Director	Shawki Ali Fakhroo & Sons W.L.L
Chairman & Managing Director	Mohammed Fakhroo & Bros W.L.L
Chairman & Managing Director	Fakhroo Trading Agencies W.L.L
Chairman & Managing Director	Fakhroo Investment W.L.L
Chairman & Managing Director	Fakhroo Information Technology Services W.L.L
Director	Shutdown Maintenance Services W.L.L

Mr. Ahmed A. Rashed AlBastaki -Director

Managing Director	Qatar Bahrain International Cinema W.L.L
Director	VOX Cineco Cinemas Company W.L.L



Status Of Directorships:

The terms Independent, non-independent, executive and non-executive are interpreted as per the definitions given for those terms under the Corporate Governance Code. The Constitution of the Board comprises of six non-executive, two executive, two independent and six non-independent directors. The independence of directors is reviewed annually as per the criteria mentioned in the Code.

Name of the Director	Independent / Non-independent	Executive/ non-executive
Dr. Esam Abdulla Fakhro	Non-Independent	Executive
Mr. Ali Yousif Ubaydli	Non- Independent	Non- executive
Mr. Mohammed Ebrahim Kanoo	Non-Independent	Non- executive
Mr. Jalal Mohamed Jalal	Independent	Non- executive
Mr. Fareed Yousif Almoayed	Independent	Non- executive
Mr. Jehad Yousif Amin	Non-Independent	Non- executive
Mr. Shawqi Ali Fakhro	Non-Independent	Non- executive
Mr. Ahmed A. Rashed AlBastaki	Non-Independent	Executive

Board Composition:

NAME OF THE DIRECTOR	YEAR OF BIRTH	NATIONALITY	TERM EXPIRY
Dr. Esam Abdulla Fakhro	1947	Bahraini	2019
Mr. Ali Yousif Ubaydli	1942	Bahraini	2019
Mr. Mohammed Ebrahim Kanoo	1940	Bahraini	2019
Mr. Jalal Mohamed Jalal	1948	Bahraini	2019
Mr. Fareed Yousif Almoayed	1953	Bahraini	2019
Mr. Jehad Yousif Amin	1958	Bahraini	2019
Mr. Shawqi Ali Fakhro	1953	Bahraini	2019
Mr. Ahmed A. Rashed AlBastaki	1951	Bahraini	2020

Election Of Directors:

The procedure for election of directors is elucidated in Articles 175 and 176 of the Bahrain Commercial Companies Law and in the Articles of Association of the Company. The directors are elected by the shareholders in the Annual General Meeting of the Group and in case sudden vacancy arises in the Board, the directors are appointed by the Board to fill the vacancy with subsequent ratification of the appointment by the shareholders in the general meeting. The Nomination and Remuneration Committee makes recommendation for appointment to the Board after evaluating the experience and expertise of the nominees before they are elected/appointed in the Annual General Meeting / by the Board. Directors are elected for a period of three years on renewable basis. All the directors

are liable to retire by rotation and are eligible for re-election unless they are disqualified as per the provisions of Bahrain Commercial Law or Articles of Association. The directors can be terminated as per the provisions of Commercial Companies Law.

Out of eight present incumbents of the Board, seven directors were elected in the Annual General meeting held in the year 2016 and their tenure expires in the Annual General meeting to be held in the year 2019. Mr. Ahmed A. Rashed AlBastaki, the eighth director was elected in the year 2017 and his term expires in the year 2020. The written appointment letters enumerating the term, powers, duties, remuneration, involvement in committees, time allotment, attendance, access to independent professional advice relating to the affairs of the company or to their individual responsibilities as directors and other matters as required by Corporate Governance Code were duly issued to all elected directors.

Induction Of New Director

The newly elected director, Mr. Ahmed A. Rashed AlBastaki was formally inducted into the Board. Induction program elaborating line of business, details of all Company's Cineplex, subsidiaries & Joint Ventures, members of the management team, internal auditors, external auditors, lawyers and all other necessary details about the Group was conducted. Furthermore, Mr. Ahmed A. Rashed AlBastaki was provided with the questionnaire to ascertain his level of acquaintance with the Group. Apart from this, no education or training program was conducted as he possesses many decades of experience & expertise in cinema and restaurant business.

DIRECTORS' OWNERSHIP OF COMPANY'S SHARE S

Name of the Directors	Type of Shares	Number of shares
Dr. Esam Abdulla Fakhro	Ordinary	3,984,266
Mr. Ali Yousif Ubaydli	Ordinary	-
Mr. Mohammed Ebrahim Kanoo	Ordinary	347,228
Mr. Jalal Mohamed Jalal	Ordinary	482,658
Mr. Fareed Yousif Almoayed	Ordinary	475,781
Mr. Jehad Yousif Amin	Ordinary	1,138,082
Mr. Shawqi Ali Fakhro	Ordinary	712,555
Mr. Ahmed A. Rashed AlBastaki	Ordinary	356,525
Total		7,497,095

Directors' Trading Of Company's Shares During The Year -2017

Related parties of Mr. Jehad Yousif Amin have purchased 104,000 shares of the Company during the year 2017. Mr. Ali Yousif Ubaydli sold his 501,187 shares to his related party and there is transfer of 545,203 shares among his related parties.

Board Meetings:

As per H.C 1.3.3 of the Corporate Governance Code, the Board should meet at least four times in a year and directors maintain informal communication between meetings. In addition to the regular meetings, the Board of directors takes decisions by way of Circular Resolutions for the matters which warrant immediate action & decision of the Board and these Circular resolutions are subsequently ratified by the directors in the duly constituted and convened board meetings. The details regarding the meetings of the Board and the Committees held during the year 2017 and the details of the attendance are provided as below:

Summary of Meetings of the Board and Committees and the Attendance of Directors:

Name of the Director	Board		Executive Committee		Corporate Governance and Audit Committee		Nomination & Remuneration Committee		Total		
	Total No. of meetings	Meetings attended	Total No. of meetings	Meetings attended	Total No. of meetings	Meetings attended	Total No. of meetings	Meetings attended	Total No. of meetings	Meetings attended	% of meetings attended
Dr. Esam Abdulla Fakhro	4	4	4	4			1	1	9	9	100%
Mr.Ali Yousif Ubaydli	4	4	4	4			1	1	9	9	100%
Mr.Mohamed Ebrahim Kanoo	4	2	4	3			1	1	9	6	67%
Mr. Jalal Mohamed Jalal	4	4			4	4			8	8	100%
Mr. Fareed Yusif Almoayed	4	3			4	3			8	6	75%
Mr. Jehad Yousif Amin	4	4	4	4			1	1	9	9	100%
Mr. Shawqi Ali Fakhro	4	4			4	4	1	1	9	9	100%
Mr. Ahmed A. Rashed AlBastaki	1*	1	1*	1					2	2	100%

*The Concerned Director is the member of the relevant committee only for the said number of meetings.

Here, attendance includes attendance through conference calls.

The Board meeting can be summoned by two directors or by the Chairman/Vice- Chairman. The majority of the directors should attend the Board meeting either in person or through conference call to make the Board meeting valid. The directors who did not attend the meetings either in person or through conference call obtained the leave of absence for the respective meetings.

Notice, agenda and other supporting documents for the meetings are circulated well in advance to enable the directors to take well -informed and constructive decisions.

Dates of Board Meetings and Attendance Details:

DIRECTORS	27.02.2017	23.04.2017	8.08.2017	13.11.2017
Dr. Esam Abdulla Fakhro	Yes	Yes	Yes	Yes
Mr. Ali Yousif Ubaydli	Yes	Yes	Yes	Yes
Mr. Mohammed Ebrahim Kanoo	Yes	Yes*	No	No
Mr. Jalal Mohamed Jalal	Yes	Yes*	Yes	Yes
Mr. Fareed Yousif Almoayed	Yes	Yes	No	Yes
Mr. Jehad Yousif Amin	Yes	Yes	Yes	Yes
Mr. Shawqi Ali Fakhro	Yes	Yes	Yes	Yes
Mr. Ahmed A. Rashed AlBastaki	NA	NA	NA	Yes**

*Denotes attendance through conference call.

** Mr. Ahmed A. Rashed AlBastaki was elected as a director by the shareholders in the Extra-ordinary General Meeting held on 28.8.2017.

Pirates of the
Caribbean
May 2017



REMUNERATION POLICY OF BOARD OF DIRECTORS:

Article 188 of the Commercial Companies Law No.21 of 2001 expounds the method of payment of remuneration to the directors. The structure of compensation for the directors is: 1. Annual Remuneration subject to the approval of shareholders in the Annual General Meeting and 2. Sitting fees for the attendance in the Board and Committee meetings. The participation in the meeting via Telephone/Video Conference by the directors is considered as attendance in the meeting and the directors are remunerated accordingly. The directors are compensated for spending their valuable time for the development of the Company and amount of remuneration & sitting fees is purely in accordance with their level of participation in the deliberation of the meeting and in the activities of the Company. The director's remuneration is paid after getting due approval from the shareholders in the Annual General Meeting. The Remuneration paid to the directors is debited to the Income Statement as an expense as per International Accounting Standards and Regulations formulated by the Central Bank of Bahrain.

Directors' sitting fees (including sitting fees for attending Committee meetings) for the year amounted to BD 92,500.

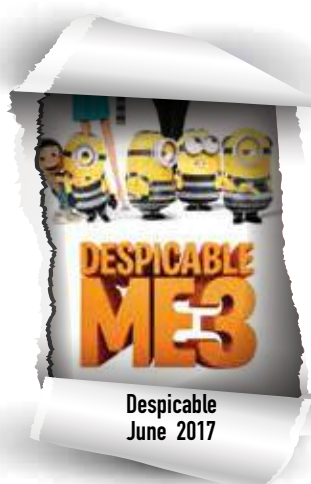
AGGREGATE REMUNERATION TO BOARD OF DIRECTORS:

The amount of aggregate remuneration paid to the directors for the financial years 2016 and 2017 is mentioned in Note number: 25 of the financial statement.

CODE OF CONDUCT/ CODE OF ETHICS:

The Company has the Code of Conduct/Code of Ethics policy describing the standards expected from each and every employee of the Group.

- Each and every employee should protect the assets of the Group.
- Group has to act on the customers' complaints promptly and courteously.
- No employee should take bribe from any outside person on behalf of the Group.
- The Group will not disclose the information about the customers/business associates to any other person/entities.
- The employees are not supposed to disclose the information about the Group either during or after the service to any outside person/entities.



Organisational Structure



COMPLIANCE

The Group has duly complied with all the Rules and Regulations of the Country and there is no procedural non-compliance of any provisions of the Law applicable to the Group. Chief Financial Officer is also the Compliance Officer of the Group. The Group has well defined Compliance Policy Manual which covers the details covering entire arena of compliance function. Some of the salient features of Compliance Manual are described below:

- Monitoring and reporting of the functions.
- Relationship with other departments.
- Independence of compliance function
- The responsibility of the compliance function
- Relationship with internal audit
- Cooperation with the regulators

Compliance officer will assess the compliance risks associated with Group's business activities and assist the CEO in effectively managing and mitigating compliance risks faced by the Group. The Board of Directors has the responsibility of overseeing the management of the Group's compliance risk.

ALLOCATION OF TASKS WITHIN THE BOARD OF DIRECTORS:

NAME OF THE DIRECTOR		CORPORATE GOVERNANCE AND AUDIT COMMITTEE	EXECUTIVE COMMITTEE	NOMINATION AND REMUNERATION COMMITTEE
Dr. Esam Abdulla Fakhro	Chairman	-	(CHAIR)	(CHAIR)
Mr. Ali Yousif Ubaydli	Vice- Chairman	-	Yes	Yes
Mr. Mohammed Ebrahim Kanoo	Director	-	Yes	Yes
Mr. Jalal Mohamed Jalal	Director	Yes	-	-
Mr. Fareed Yousif Almoayed	Director	Yes	-	-
Mr. Jehad Yousif Amin	Director	-	Yes	Yes
Mr. Shawqi Ali Fakhro	Director	(CHAIR)	-	Yes
Mr. Ahmed A. Rashed AlBastaki	Director	-	Yes*	-

*Mr. Ahmed A. Rashed AlBastaki became the member of the Executive Committee by virtue of the Board Resolution dated 13th November,2017.

BOARD COMMITTEES:

The Committees are constituted by the Board for the good corporate governance .Scope of authority and responsibilities are clearly defined by the Charters of the respective Committee. Committees put forward suggestions and recommendation to the Board as and when deem necessary. Minutes of the Committee meetings are disseminated to the members of the Board periodically. The Board constantly evaluates the composition of the committees in the light of requirements of Law and for the successful functioning of the Group.

EXECUTIVE COMMITTEE:

Dr. Esam Abdulla Fakhro is the Chairman of the Executive Committee. The Executive Committee currently comprises of five directors. The Charter of the Executive Committee specifies the specific responsibilities assigned to this Committee.

Functions of the Executive Committee:

- Approving the Budgets and changes thereon for each financial year and reviewing performance against those budgets and key performance indicators.
- Reviewing the policies with regards to risk, asset and liabilities.
- Invest the surplus funds on the basis of the Investment Policy and evaluate the performance of each investment vis-à-vis the expected Return on Investment.
- Analyzing and Approving the Corporate Strategy Plan for every financial year before presenting the same to the Board.

As per the terms of Charter of the Executive Committee, the minimum number of Executive Committee meeting is three in a year. The actual number of meetings of Executive Committee held during the year is 4. The details of the composition of the Executive committee and attendance of the members in the meetings of this Committee are mentioned in the following table:

DATES OF MEETING

DIRECTORS	25/01/2017	10/04/2017	06/07/2017	23/11/2017
Dr. Esam Abdulla Fakhro	Yes	Yes	Yes	Yes
Mr. Ali Yousif Ubaydli	Yes	Yes	Yes	Yes
Mr. Mohammed Ebrahim Kanoo	Yes*	Yes	Yes	No
Mr. Jehad Yousif Amin	Yes	Yes	Yes	Yes
Mr. Ahmed A. Rashed AlBastaki	N/A**	N/A**	N/A**	Yes

*Denotes attendance through conference call.

**N/A in this table denotes that Mr. Ahmed A. Rashed AlBastaki was not a member of the Executive Committee during the relevant period of the year 2017.

Sitting fees of the members of the Executive committee for the financial year, 2017 amounted to BD18,000.



Nomination and Remuneration Committee:

Dr. Esam Abdulla Fakhro is the Chairman of the Nomination & Remuneration Committee. The Nomination & Remuneration Committee currently comprises of five directors. The Charter of the Nomination & Remuneration Committee describes the specific responsibilities assigned to this Committee.

Functions of the Nomination and Remuneration Committee:

- Ensure that adequate Policies and procedures are in place for the evaluation of the performance of executive management.
- Review of remuneration & sitting fees of the directors and making recommendations to the Board about their decision.
- Approval of Succession Plans of senior management before the plans is presented to the Board for approval.
- Evaluate the balance of skills, knowledge and experience on Board, prepare description for every appointment, identify, nominate to the Board as and when Board vacancies arise.
- Recommend to the Board any change in the Job description of senior management, if required.

As per the terms of Charter of the Nomination & Remuneration Committee, the minimum number of meetings is one and the maximum number of meetings is two in a year. Actual number of meetings held in a year is one. The details of the composition of the Nomination and Remuneration committee and attendance of the members in the meeting of this Committee are mentioned in the following table:

DATE OF MEETING	
DIRECTORS	02/02/2017
Dr. Esam Abdulla Fakhro	Yes
Mr. Ali Yousif Ubaydli	Yes
Mr. Mohammed Ebrahim Kanoo	Yes*
Mr. Jehad Yousif Amin	Yes
Mr. Shawqi Ali Fakhro	Yes

*Denotes attendance through conference call.

No sitting fees were paid for Nomination and Remuneration Committee meeting during the year 2017.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Mr. Shawqi Ali Fakhro is the Chairman of the Corporate Governance and Audit Committee. The Corporate Governance and Audit Committee currently comprises of three directors. The duties of the Corporate Governance and Audit Committee are:

- Discuss the significant accounting and financial policies and reporting issues for the financial year.
- Review and approve interim and annual financial statements before presenting the same to the Board.
- Discuss the management letter of external auditors.
- Consider and recommend to the Board the appointment, resignation or dismissal of the external and internal auditors of the Company and the audit fee.
- Discuss the significant observations of external and internal Auditors and the response from the management.
- Analyze impact of any change in Accounting Standards on the financial statements.
- Review the risk management and internal audit functions.
- Ensure existence of appropriate policies, procedures, systems, internal controls and guidelines in the Company.

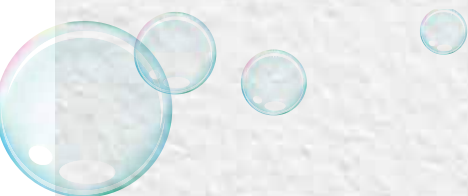
As per the terms of reference of the Corporate Governance and Audit Committee, the Company shall conduct at least four Corporate Governance and Audit committee meetings in a year.

During the year 2017, the number of meetings of the Corporate Governance and Audit committee was four. The details of the composition of the committee and attendance of the members in the meetings are set out in the following table:

DATES OF MEETING				
DIRECTORS	27/02/2017	23/04/2017	08/08/2017	13/11/2017
Mr. Shawqi Ali Fakhro	Yes	Yes	Yes	Yes
Mr. Jalal Mohamed Jalal	Yes	Yes*	Yes	Yes
Mr. Fareed Yousif Almoayed	Yes	Yes	No	Yes

*Denotes attendance through conference call.

Sitting fees of the members of the Corporate Governance and Audit committee for the financial year, 2017 amounted to BD13,000.



CONFLICT OF INTEREST:

The Company has well defined Conflict of Interest policy and documented procedure with regards to the transactions involving Conflict of Interest of directors. As per this policy, every director is bound to declare the present and potential conflict of interest, both direct and indirect, to the Company. In case of any motion put before the meeting and if any director is interested in that motion, he will abstain from discussion and voting.

If there is potential conflict of interest of any director in particular transaction, then advance approval from disinterested directors will be received before the motion is put before the directors for the deliberation and voting. The concerned interested director will not participate in the discussion on that issue. The fact of absence of interested director(s) is recorded in the minutes of the relevant meeting.

RELATED PARTY TRANSACTIONS

All related party transactions are done on an arm's length basis and approved by the management of the Group. No employee or director or member of executive management can trade the shares with the material information which is not made public. Please refer Note No: 30 of the financial statements for the details of related party transactions.

INTERNAL CONTROL

Internal Controls implemented in the Company assure that the financial and accounting records contain precise information and ensure that financial statements are presented on timely basis. Objectives of internal Control system implemented in the Company are prevention and detection of frauds, attaining operational efficiency and effectiveness, compliance with the Laws, Regulations and Policies, attaining ethical standards, mitigating the risk, protecting the Group's resources and to attain profitability targets of the Company. The management

of Company constantly oversee the efficacy of the internal controls of the Group to deter the frauds and improve the efficiency by clear cut delineation of duties & responsibilities of authorities of various levels of management, conducting concurrent audits, standardizing the documentation and regular reconciliation of cash, stock and bank balances, increasing the approval levels for the transactions involving high amount, etc., The Corporate Governance and Audit Committee and the management consistently evaluate the adequacy of the Internal Control processes and procedures to attain the profitability targets of the Company.

THE ROLES OF THE CHAIRMAN AND EXECUTIVE MANAGEMENT:

The Board of Directors provides direction and guidance to the management. The Chief Executive Officer and the other members of the senior management are responsible for the day to day affairs of the Group. The Chairman is responsible for organizing the business for the Company, leading the Board, ensuring the effective functioning of the Board and providing strategic direction to the management while CEO and other members of the executive management is responsible for the implementation of the strategies and plans formulated by the Board. The contours of duties and responsibilities of the Chairman and the CEO are clearly defined. Furthermore, the duties and responsibilities of all departmental heads are also well-defined. The role of the Vice- Chairman is carried out by Mr. Ali Yousif Ubaydli.

SUCCESSION PLANS

The Group has formulated the Succession Plans for CEO and all head of departments i.e., CAO, CFO, CPDO and COO-Operations to maintain interminable functioning and to maintain the highest level of efficiency of executive management without being affected by short term and long term absence of executive personnel. Succession plans are annually reviewed by the Board.

KEY PERSON DEALING POLICY

The Company has formulated Key Person Dealing Policy. The main purpose of this Policy is to prevent the abuse of inside information. Here, Key persons are defined to include the directors, executive management, designated employees and any other person identified as key person. Members of the Board of Directors and key persons are bound by specific regulations relating to Key Person trading policies and are required to disclose the details of their shareholdings and trading of their shareholding in the Company. Compliance Officer is vested with the responsibility of complying with latest Key Person trading regulations of Bahrain Bourse. During the year 2017, forms and documents required to be filed with Bahrain Bourse are duly filed.

PERFORMANCE EVALUATION:

H.C.8.3.9 of the Corporate Governance Code enounces that the evaluation of directors with respect to their effectiveness & contribution needs to be disclosed in the Annual Report. During the year, 2017, evaluation was done in the following ways:

1. Evaluation of the Board by each director has been done to assess the functioning of the Board.
2. Directors of the Board have done self-evaluation as a director and as a member of each committee to assess themselves vis-a-vis the requirements.
3. Evaluation of each committee by each member of the respective committee has also been done for the financial year 2017 to ensure that the respective Committee functions to accomplish its specific purposes and responsibilities that are assigned to that committee.
4. Chairman of the Board and of each committee have also done self-performance evaluation in order to continue to function with high level of efficiency.

Mr. Ahmed A. Rahsed AlBastaki, Chief Executive Officer and director has done his own evaluation for the financial year 2017.

WHISTLE BLOWER POLICY

The Group has approved Whistle Blower Policy as part of Corporate Governance Policy. It is the policy of the Group to maintain the highest ethical behavior and professionalism in the entire arena of the activities of the Group. The Company has Whistle Blower Policy wherein the employees can report any violation of rules, regulations or any provisions of law or any unethical behavior to his/her immediate boss or to any other person as designated by the Group in this regard. Any such report will be maintained confidentially and are not subjected to any discriminatory practices.

CEO & CFO CERTIFICATIONS:

CEO & CFO of the Group have certified that interim and final accounts of the Group present true and fair view of state of affairs of the Group and do not contain any material misstatement. These Certifications have been given both to the Corporate Governance and Audit Committee as well as to the Board during the financial year 2017.

MEANS OF COMMUNICATION WITH SHAREHOLDERS AND INVESTORS:

- All the directors are generally present in the Annual General Meetings and Extraordinary General meetings to answer the questions posed by any attendant as the Company is statutorily obliged to comply with the Regulations and Laws regarding dissemination of information.
- The Group has appointed Bahrain Bourse as the Registrar & Share transfer agent and Karvy Computer share WLL as the Sub-Registrar and the Board of directors of the Company recommended that they can be reappointed for the financial year 2017.

- The Group published annual results for each quarter and for the entire financial year, 2017 through newspapers in Arabic and through Bahrain Bourse website in English.
- The shareholders are having easy access to all the financial information and can get proxy and other relevant forms from the Group.
- The Group publishes both interim & final financial statements in its web site.
- The Group also communicates with its staff through internal communication.
- CFO will be the point of contact with Bahrain Bourse and CBB.
- As per the provision of HC 1.3.6 of the Corporate Governance Code, no director of the Company should hold more than 3 directorships in public companies in Bahrain, with the provision that no conflict of interest may exist, and the Board should not propose the election/ re-election of any such director. Mr. Jehad Yousif Amin, Director of the Group is holding more than three directorships in Bahraini Public shareholding companies and his directorships in more than three Bahraini Public shareholding Companies does not dilute the *sanctum sanctorum* of the interests of the Group and does not affect the effectiveness and efficiency of the Board of Directors as Mr. Jehad Yousif Amin provides required attention to his responsibilities as a director of the company and there is no conflicts of interest between his other directorships and his directorship in the company.

BCC currently complies with all the provisions of the Code with the exception of following:

- HC 1.4.5 of the Corporate Governance Code requires that the Chairman of the Board of Directors should be an independent director. Dr.Esam Abdulla Fakhro is a non-independent director, taking into account the business transactions of the Company with the business entities in which Dr.Esam Abdulla Fakhro is the director. However, this does not dilute the highest standards of corporate governance that the company maintains as a) business transactions are entered into on arms' length basis, b) Existence of efficient system of management of conflict of interest in Board decisions and c) in case of motions in which some directors are interested, the concerned directors refrain from the discussion as well as in voting to pass the motion as resolution. Highest standards of corporate governance and policies are followed for managing the conflict of interest without any type of lacunae in the implementation. Therefore, Dr.Esam Abdulla Fakhro's status of non-independence does not vitiate his ability to exercise judgment free from personal conflict of interest.
- As per HC 1.8.6 of the Corporate Governance Code, the Corporate Governance Committee should consist of at least three independent members. Mr.Shawqi Ali Fakhro, the Chairman of the Corporate Governance and Audit Committee is the non-independent director considering the business transactions of the Company with the establishments in which Mr. Shawqi Ali Fakhro is a director. Since highest standards of corporate governance and policies are followed for managing the conflict of interest without any type of lacunae in the implementation, Mr. Shawqi Ali Fakhro's status of non-independence does not debilitate his ability to exercise judgment free from personal conflict of interest.
- Details regarding remuneration paid to executive personnel, profiles of senior managers and the shareholding of senior managers can be obtained from the Group by making request for the same subject to the approval of the Chairman.

- The details regarding fees paid to auditors for audit services and non-audit services can be obtained from the Corporate Office of the Group.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Bahrain Cinema Company as an ethical Corporate Citizen has always endeavored to make all the Bahrainis to become effective and productive members of the Society and enable them to participate in the building of the beloved Country, the Kingdom of Bahrain. Corporate Social Responsibility of Cineco has twin objectives; emancipation of all strata of the Society through economic development and building its corporate image. During its 50 years of existence, the Group has contributed immensely to the community to reach out the underprivileged sections of the Society reflecting the ethos since inception. Honesty and fairness are imbibed in all the operations of the Company. The Group has been constantly contributing towards socio-economic development of Bahraini Society and also strives for conservation of natural resources to attain environment sustainability.

BCC has always been committed towards the elevation of downtrodden of the Society by granting donations to various Charitable Institutions, Charity Funds and other organizations which are engaged in the rendition of services aiming at promotion of welfare of the Society as well as to help the needy individuals, helping to restore smiles. During the year 2017, the total contribution by the Company towards social welfare was BD 49,552.

Donations made by the company fall in any one of the following categories: i) caring senior citizens, orphans & indigents ii) Enlightening the Society by spreading awareness about Islam iii) educational development of youth and children iv) Welfare of Palestinians v) impetus to promotion of Sports , Arts & culture vi) mother care vii) Health Care and viii) care of destitute.

Ongoing Charitable activities:

Ongoing Charitable activities fall into the following categories:

Education & care for Children

- BCC has been constantly sponsoring training program to groom the Bahraini talent and build their competencies under Tamkeen program.
- BCC provides educational assistance to ten orphans each year.
- BCC offers part-time employment opportunities to University students and other deserving Bahraini youths to enable them to earn while studying. This will provide them both theoretical knowledge and the practical application of the theory at the same time.
- Advertisements for educational and informative purposes are allowed to be screened at free of cost.
- BCC provides free tickets to the differently abled persons, orphans and the school children. The total amount of free tickets granted during the year 2017 was BD4,573. In addition, BCC has provided free Buffet for Bahrain Voluntary Work Society amounting to BD 172.

Sustainability:

- BCC has been using projectors with digital technology in lieu of Analog Projectors to prevent the environmental hazard caused by 35mm projector reels & to preserve the ecological balance.

Culture & Religion

- BCC has the policy of providing funds to four Muslim employees each year under Employee Gift Scheme for getting solemnized by pilgrimage to Holy Makkah amounting to BD10,000.
- BCC has provided BD6,520 to the employees

as Gift on the eve of Ramadan Kareem.

Accredited Societies and Funds who are Beneficiaries of Donations and Contributions by BCC during the year 2017 are as follows:

- Tarbeia Islamic Society
- Eslah Society
- Sacred Heart Catholic Church
- Bahrain Society
- International Ladies Group
- Zakat Fund
- Capital Governorate
- Ministry of Culture
- Bahrain National Heredity Anaemia Society
- Hamad Town Charity Society
- Muharraq Charity Society
- Tubli Charity Society
- Amina Charity Society
- Isa Town Charity Society
- Shakhurah Society Charity Fund
- Sanabis Charity Society
- Bahrain Philanthropic Society
- Bahrain Voluntary Work Society
- Bahrain Red Crescent Society
- Bahrain Society for Child Development
- Al-Ehsan Welfare Society
- Jidhafs Charity Society
- Riffa Charity Society
- Manama Charity Society
- Al Bu Kwara Charity Society
- Al-Anfal Society
- Hidd Charity Society
- Future Society for Youth
- Gulf Disability Society
- Bahrain Down Syndrome Society
- Children & Mothers Welfare Society
- Good Word Society
- Shaikhan and Sharifa Quran Centre
- Al Reef Theatre
- Royal Charity Organisation
- Navarathri celebrations at SNCS Bahrain
- Indian Fine Arts Society

Charity Reserve as on 31st December, 2017

The Company had acquired a residential building in the year 2014 with the aim of utilizing the rental income accrued therefrom only for a big Charitable Project to render charitable service on a large scale by transferring the rental income to the Charity Reserve. As on 31st December, 2017, the Company has accumulated the Charity Reserve of BD266,134.

Remarkable Charitable Initiatives of the Company during the year 2017:

i) Contribution to Bahrain Athletics Centre:

To enable Bahraini Athletes to compete in international sports events and to bring laurels to Bahrain in the international sports arena, BCC has donated BD 10,000 to "Bahrain Athletics Centre".

ii) Donation to Baitkum Baitna Project:

BCC has contributed BD3,000 for Baitkum Baitna Project to Ayadi Relief, an international humanitarian NGO that helps the people in the MENA region who do not have shelter to live in.

iii) Royal Charity Organization:

BCC has provided 300 tickets at free of cost to Royal Charity Organization, an organization which provides comprehensive care to orphans and widows.

Future Charitable Project:

"The Group is committed and still awaits to sponsor a Charitable Project offered by the Government of Bahrain (through the Ministry of Social Development) for an amount of around BD 1.5 Million"



Consolidated Financial Statements

for the year ended 31 December 2017



Tafash wel
Arbaeen Harami
June 2017

Independent **Auditors' Report** to the Shareholders

of Bahrain Cinema Company B.S.C.

Opinion

We have audited the consolidated financial statements of Bahrain Cinema Company B.S.C. ("the Company") and its subsidiary (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2017. These matters were addressed in the context of

our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Revenue recognition

Revenue represents income arising from the screening of films rented from other distributors, and advertising income, sale of food and beverages. The Group focuses on revenue as a key performance measure and by default, this area has a fraud risk element and is therefore considered as a significant risk.

Our audit procedures included considering the appropriateness of revenue recognition as per the Group's accounting policies, including those relating to discounts and concessions and assessing operational compliance with these policies. We tested the design and effectiveness of internal controls implemented by the Group throughout the revenue cycle. We tested sales transactions taking place at either side of the consolidated statement of financial position date to assess whether the revenue was recognised in the correct period. We also performed analytical reviews on revenue taking into account historical trends in monthly sales and the profit margins. These analytics include comparing revenue receipts against cinema attendance statistics.

Valuation of investment properties

The Group has investment properties as disclosed in Note 8 which forms a material balance in the consolidated financial statements of the Group and are subject to changes in fair value. The fair value of the Group's investment properties is based on valuation by the Group's management, through their use of independent external experts. Valuation techniques include a combination of using discounted net rental yield and market evidence of transaction prices for similar properties. There is significant measurement uncertainty involved in this valuation.

Independent **Auditors' Report** to the Shareholders (continued)

of Bahrain Cinema Company B.S.C.

Our audit procedures included an assessment of the independence, competence, capabilities and objectivity of management's valuation expert, and a critical evaluation of the appropriateness of the method and assumptions used by the expert.

Valuation of financial assets at fair value through profit or loss

As at 31 December 2017, the Group has investments in both listed and unlisted financial instruments as disclosed in Note 13. Listed financial instruments are fair valued at their market price. Management applies significant judgment in the determination of fair values of unlisted investments. Valuation of unlisted financial instruments is achieved using techniques including net asset valuation of the underlying investee companies or the financial information provided by the fund managers. There is significant measurement uncertainty involved in this valuation.

Our audit procedures included testing of the reasonableness of the fair values of the quoted investments with the Bahrain Bourse and other stock markets and unquoted investments based on other techniques adopted by the management. We critically evaluated the valuation techniques used by the management for determining fair values of unquoted investments.

Part sale of City Centre operations

During 2017, the Group sold 50% of its operations of City Centre Cinemas to a third party as disclosed in Note 10. Given the significance of this sale in terms of amount and operational impact, this was considered as a significant risk.

Our audit procedures included review of sale and purchase agreements, shareholder agreements and other supporting documentation to ensure that they are properly accounted for in accordance with IAS 28 and IFRS 10; ensured equity accounting was carried out appropriately and Group's share of net assets of the associate is correctly accounted for; reviewed additions and disposals of investments made during

the period; checked that the gain on disposal of business operations and fair value gains on retained interest in associate is calculated in accordance with the IFRS; assessed the adequacy of the disclosures presented within the consolidated financial statements to ensure they are in accordance with IFRS 12; gained comfort over the audit procedures performed by the component auditors over the financial statements of the associate; and critically analysed the reasonableness of management's assumptions and estimates used in determining the recoverable values of all the investments in an associate.

Other information

Management is responsible for the other information. The other information comprises the information included in the Chairman's report and Corporate Governance report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 management and Those Charged With Governance ("TCWG") for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with

of Bahrain Cinema Company B.S.C.

International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

of Bahrain Cinema Company B.S.C.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with management and TCWG 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 TCWG 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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

Further, as required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001, in case of the Company, we report that:

- (1) we have obtained all the information we considered necessary for the purpose of our audit;
- (2) the Company has carried out stock-taking in accordance with recognised procedures, has maintained proper books of account and the consolidated financial statements are in agreement therewith; and
- (3) the financial information included in the Chairman's report is consistent with the books of account of the Company.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, 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 of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2017.

BDO

Manama, Kingdom of Bahrain

25 February 2018

BDO

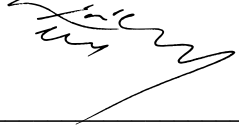
Consolidated Statement of Financial Position

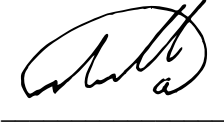
as at 31 December 2017

(Expressed in Bahrain Dinars)

	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	10,039,333	14,037,312
Capital work-in-progress	7	8,005,238	4,316,533
Investment properties	8	7,752,515	7,758,015
Investment in joint ventures	9	56,337	3,902,871
Investment in an associate	10	24,958,754	-
Non-current portion of receivable on disposal of business operations	12	15,761,762	-
Financial assets at fair value through profit or loss	13	7,693,992	8,059,021
		74,267,931	38,073,752
Current assets			
Inventories	11	317,667	522,210
Trade and other receivables	12	5,645,124	2,874,753
Financial assets at fair value through profit or loss	13	405,153	248,259
Short-term fixed deposits	14	-	5,000,000
Cash and bank balances	15	2,262,179	470,021
		8,630,123	9,115,243
Total assets		82,898,054	47,188,995
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	8,262,345	6,609,876
Share premium	17(i)	1,084,396	1,084,396
Revaluation reserve	17(ii)	4,557,442	4,557,442
Statutory reserve	17(iii)	4,131,173	3,304,938
Charity reserve	17(iv)	266,134	215,335
Retained earnings	17(v)	56,640,392	27,565,993
Treasury shares	16	(345,976)	(276,781)
		74,595,906	43,061,199
Non-current liabilities			
Employees' terminal and other benefits	18	3,648,510	296,299
Current liabilities			
Trade and other payables	19	4,653,638	3,831,497
Total equity and liabilities		82,898,054	47,188,995

These consolidated financial statements, set out on pages 42 to 82, were approved and authorised for issue by the Board of Directors on 25 February 2018 and signed on its behalf by:


Dr Esam Abdulla Fakhro
Chairman


Ali Yousuf Ali Ubaydli
Vice-Chairman

Consolidated statement of Profit or Loss and other Comprehensive Income


for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Operating income	28	14,842,140	22,880,362
Operating costs		(10,831,746)	(15,033,791)
Operating gross profit		4,010,394	7,846,571
Other operating income	21	297,445	418,126
General and administrative expenses	22	(2,494,189)	(2,587,547)
Provision for staff ex-gratia	18	(3,913,056)	-
Net write-off of property, plant and equipment	6	(347,484)	(172,385)
(Loss)/profit from operations		(2,446,890)	5,504,765
Gain on disposal of business operations	10	19,560,655	-
Fair value gain on retained interest in investment in an associate	10	19,560,655	-
Net share of profit from investment in associate	10	1,009,244	-
Net share of (loss)/profit from investment in joint ventures	9	(912,688)	337,456
Impairment in investment in joint ventures	9	(2,809,738)	-
Income/(loss) from investments, net	23	341,293	(960,119)
Unrealised fair value (losses)/gains on investment Properties	8	(8,000)	70,505
Interest income on long-term receivables		461,032	-
Finance costs		(54,308)	(83,173)
Net profit and other comprehensive income for the year		34,701,255	4,869,434
Basic earnings per share	24	438fils	62fils

These consolidated financial statements, set out on pages 42 to 82, were approved and authorised for issue by the Board of Directors on 25 February 2018 and signed on its behalf by:


Dr Esam Abdulla Fakhro
Chairman


Ali Yousuf Ali Ubaydli
Vice-Chairman

Consolidated statement of Changes in Shareholders' Equity

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

	Notes	Share capital	Share premium	Revaluation reserve	Statutory reserve	Charity reserve	Retained earnings	Treasury shares	Total
At 31 December 2015		6,609,876	1,507,536	4,557,442	3,304,938	116,375	25,981,244	(238,429)	41,838,982
Dividends for 2015	25	-	-	-	-	-	(3,185,725)	-	(3,185,725)
Purchase of treasury shares	16	-	(423,140)	-	-	-	-	(38,352)	(461,492)
Transferred to charity reserve	17	-	-	-	-	98,960	(98,960)	-	-
Net profit and other comprehensive income for the year		-	-	-	-	-	4,869,434	-	4,869,434
At 31 December 2016		6,609,876	1,084,396	4,557,442	3,304,938	215,335	27,565,993	(276,781)	43,061,199
Bonus shares issued	16	1,652,469	-	-	-	-	(1,583,274)	(69,195)	-
Dividends for 2016	25	-	-	-	-	-	(3,166,548)	-	(3,166,548)
Transferred to charity reserve	17	-	-	-	-	50,799	(50,799)	-	-
Transferred to statutory reserve	17	-	-	-	826,235	-	(826,235)	-	-
Net profit and other comprehensive income for the year		-	-	-	-	-	34,701,255	-	34,701,255
At 31 December 2017		<u>8,262,345</u>	<u>1,084,396</u>	<u>4,557,442</u>	<u>4,131,173</u>	<u>266,134</u>	<u>56,640,392</u>	<u>(345,976)</u>	<u>74,595,906</u>

Consolidated statement of Cash Flows

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

	Notes	2017	2016
Operating activities			
Net profit for the year		34,701,255	4,869,434
Adjustments for:			
Depreciation	6	987,974	1,074,507
Write-off of property, plant and equipment, net	6	347,484	172,385
Unrealised fair value loss/(gain) on investment properties	8	8,000	(70,505)
Net share of loss/(profit) from investment in joint ventures	9	912,688	(337,456)
Impairment loss on investment in joint ventures	9	2,809,738	-
Net share of profit from investment in an associate	10	(1,009,244)	-
Gain on disposal of business operations	10	(19,560,655)	-
Fair value gain on retained interest in investment in associate	10	(19,560,655)	-
Unrealised losses on financial assets at fair value through profit or loss	23	176,598	575,168
Dividend income	23	(363,109)	(311,735)
Interest income from trading of bonds	23	(78,603)	(27,586)
Profit from fixed deposits	23	(99,557)	(135,498)
Realised loss on sale of financial assets at fair value through profit or loss	23	23,378	859,770
Profit on sale of property, plant and equipment	21	(9,250)	(4,948)
Interest income on long term receivable		(461,032)	-
Finance costs		54,308	83,173
Changes in operating assets and liabilities:			
Inventories		204,543	(99,588)
Trade and other receivables		381,864	496,302
Trade and other payables		822,141	(1,237,590)
Other employee benefits		3,354,347	-
Employee terminal benefits net		(2,136)	59,018
Net cash provided by operating activities		<u>3,640,077</u>	<u>5,964,851</u>
Investing activities			
Purchase of property, plant and equipment	6	(344,038)	(1,654,281)
Additions to capital work-in-progress	7	(4,272,421)	(5,000,535)
Proceeds from sale of property, plant and equipment		553,736	4,950
Purchase of investment properties	8	(2,500)	-
Capital contribution to investment in joint venture	9	(103,710)	(103,716)
Capital contribution to investment in an associate		(2,865,961)	-
Proceeds from disposal of business operations		2,561,154	-
Purchase of financial assets at fair value through profit or loss	13	(373,345)	(281,433)
Proceeds from sale of financial assets at fair value through profit or loss		381,504	5,686,145
Net movement in short term deposits		5,000,000	(2,400,000)
Interest income from bonds and sukus	23	78,603	27,586

Consolidated statement of Cash Flows (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

	Notes	2017	2016
Profits received from fixed deposits	23	99,557	135,498
Dividend received from joint ventures	9	227,818	387,047
Dividend income received	23	363,109	311,735
Net cash provided by/(used in) investing activities		1,303,506	(2,887,004)
Financing activities			
Purchase of treasury shares	16	-	(461,492)
Dividends paid	25	(3,097,117)	(3,185,725)
Finance costs paid		(54,308)	(83,173)
Net cash used in financing activities		(3,151,425)	(3,730,390)
Net increase/(decrease) in cash and bank balances		1,792,158	(652,543)
Cash and cash equivalents, beginning of the year		470,021	1,122,564
Cash and cash equivalents, end of the year	15	2,262,179	470,021

Non-cash transactions

Transfer from capital work-in-progress

In 2017, the Group transferred completed assets totalling to BD583,716 (2016: BD1,883,952) from the capital work-in-progress account to property, plant and equipment (Notes 6 and 7). These are excluded from statement of cash flows being non-cash transactions.

Transfer of assets to associate

In 2017, the Group transferred 50% of City Centre net assets to an associate Vox Cineco Cinemas Company W.L.L. as capital contribution amounting to BD1,522,894. These are excluded from statement of cash flows being non-cash transactions.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

1 Organisation and activities

Bahrain Cinema Company B.S.C. ("the Company") and its subsidiary (collectively referred as "the Group") is a public Bahraini shareholding company incorporated under Royal Decree dated 30 November 1967, is registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 1192 obtained on 11 August 1968.

The principal activities of the Group are the screening of films, advertisements and operation of restaurants, providing leisure and amusement related services, real estate activities with own or leased property and sale/trade of furnisher and all household articles and sale/trade in other machinery and equipments and parts.

The registered office of the Company is in the Kingdom of Bahrain.

These consolidated financial statements include assets liabilities and the result of operations of the branches which operate under commercial registration numbers 1192-1, 1192-9, 1192-16, 1192-18, 1192-19, 1192-20, 1192-22, 1192-24, 1192-25, 1192-26, 1192-27 and 1192-28.

These consolidated financial statements also include results of Saar Cinema Complex which is not an independent entity with no separate commercial registration number and operates under commercial registration number 1192-19 of Bahrain Cinema Company (please see Note 2 for details).

2 Structure of the Group

The structure of the Group is as follows:

Subsidiary company

Name of subsidiary	Country of Incorporation	Principal activities	Effective ownership interest 2017	Effective ownership interest 2016
Aradous Properties Management W.L.L.*	Kingdom of Bahrain	Managing and leasing of properties	100%	100%

* 2% of the shares in the entity, although registered in the names of related parties, are held on behalf, and for the beneficial interest, of the Group.

The total assets and net profit/(loss) for the year of the above subsidiary have been extracted for the purpose of consolidation from the unaudited management accounts prepared as at, and for the year ended, 31 December 2017.

Joint ventures

Name of joint venture	Country of incorporation	Principal activities	Effective ownership interest 2017	Effective ownership interest 2016
Saar Cinema Complex	Kingdom of Bahrain	Screening of films	31%	31%
Qatar Bahrain International Cinema W.L.L.	State of Qatar	Screening of films	23%	23%
Al Murjan Restaurant Management W.L.L.	State of Qatar	Restaurant operations	50%	50%

The Group is a party to joint arrangements with the above entities, as arrangement confers joint control over the operations and the decision making process.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

2 Structure of the Group (continued)

Associate

Name of Associate	Country of incorporation	Principal activities	Effective ownership interest 2017	Effective ownership interest 2016
Vox Cineco Cinemas Company W.L.L.	Kingdom of Bahrain	Screening of films, sale of food and beverages	50%	-

The Group has entered in to an agreement with Majid Al Futtaim Cinemas Bahrain Co. S.P.C. on 27 September 2016 to form a new company Vox Cineco Cinemas Company W.L.L. (commercial registration number 108609-1 obtained on 21 December 2016). This agreement was endorsed by the shareholders in an extraordinary general meeting held on 7 November 2016. Subsequently, in the month of December 2016, the management of the Group has also signed a memorandum of understanding with the Majid Al Futtaim Cinemas Bahrain Co. S.P.C. to revise certain clauses of the original contract signed on 27 September 2016. On completion of conditions of this transaction as mutually agreed by the parties in the agreement, the Group has recorded its investment in associate and resultant gain on disposal of business operations on 30 June 2017.

As per this agreement, Bahrain Cinema Company B.S.C. sold 50% of its cinemas operations in City Center Bahrain to Majid Al Futtaim Cinemas Bahrain Co. S.P.C. and both partners agreed to push down their respective 50% share in City Center Cinema business to this new company, Vox Cineco Cinemas Company W.L.L. This new company is to run certain cinema operations within the Kingdom of Bahrain. Based on contractual terms, Bahrain Cinema Company B.S.C. has the power to participate in (but not control) the financial and operating policy decisions of Vox Cineco Cinemas Company W.L.L. and accordingly this investment has been classified as an associate. Vox Cineco Cinemas Company W.L.L. has obtained license during the period ended 30 September 2017 to run the film screening operations.

As per the terms of the agreement, Bahrain Cinema Company B.S.C. is required to contribute BD500,000 representing 50% of the authorised and paid up capital of new company, Vox Cineco Cinemas Company W.L.L.. As at 31 December 2017 licenses required to run the operations have been received and accordingly, share capital payment is made by each partner, to the new company.

3 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives and rules and procedures of the Bahrain Bourse.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

3 Basis of Preparation (continued)

Basis of consolidation

The consolidated financial statements incorporate consolidated financial statements of the Company and its subsidiary from the date that control effectively commenced until the date that control effectively ceased. Control is achieved when the Company has the power to govern the financial and operational policies of an entity to obtain benefits from its activities. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements present the results of the Company and its subsidiary ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore, eliminated in full.

Basis of presentation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention using going concern assumption except for the following:

- financial instruments – financial assets at fair value through profit or loss
- investment properties
- freehold land
- joint ventures
- associate

These assets have been measured at their fair market values except for joint ventures and associates which have been accounted under equity method at the consolidated statement of financial position date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies.

The policies have been consistently applied to all the years presented, unless otherwise stated.

Improvements/amendments to IFRS 2014/2016 and 2015/2017 cycles

Improvements/amendments to IFRS/IAS issued in 2014/2016 and 2015/2017 cycles contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Group's annual audited consolidated financial statements beginning on or after 1 January 2017 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments except for IFRS 9 – Financial Instruments which was early adopted by the Group from 1 January 2014.

Standards, amendments and interpretations effective and adopted in 2017

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

3 Basis of Preparation (continued)

Standards, amendments and interpretations issued and effective in 2017 but not relevant

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2017 or subsequent periods, but are not relevant to the Group's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 7	Statement of cash flows	1 January 2017
IAS 12	Income taxes	1 January 2017
IFRS 12	Disclosure of interests in other entities	1 January 2017

Standards, amendments and interpretations issued but not yet effective in 2017

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2017. They have not been adopted in preparing the consolidated financial statements for the year ended 31 December 2017 and are expected to affect the Group in the period of initial application. In all cases, the Group intends to apply these standards from application date as indicated in the table below.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 12	Income taxes	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IAS 28	Investments in associates	1 January 2018
IAS 40	Investment properties	1 July 2018
IFRS 1	First-time adoption of International Financial Reporting Standards	1 January 2018
IFRS 2	Share-based payment	1 January 2018
IFRS 3	Business combinations	1 January 2019
IFRS 4	Insurance contracts	1 January 2018
IFRS 11	Joint arrangements	1 January 2019
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

There would have been no change in the operational results of the Group for the year ended 31 December 2017 had the Group early adopted any of the above standards applicable to the Group except for IFRS 15 and IFRS 16, the impact of which is being assessed by the Group.

Early adoption of amendments or standards in 2017

The Group did not early-adopt any new or amended standards in 2017.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

4 Significant Accounting Policies

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation, with the exception of freehold land which is stated at market values, based on valuations undertaken by independent property valuers. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use. Increases in carrying amounts arising on revaluation of freehold land are credited to the revaluation reserve in the consolidated statement of other comprehensive income. Decreases that off-set previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the consolidated statement of profit or loss and other comprehensive income. On disposal of revalued assets, amounts in the revaluation reserve relating to these assets are transferred directly to retained earnings.

Depreciation is calculated on the straight-line method to write-off the cost of property, plant and equipment to estimated residual values over their expected useful lives which are as follows:

Buildings on freehold land	20 years
Building on leasehold land/leasehold improvements	20 years or the lease period, whichever is lower
Fixtures, furniture and office equipment	3 - 15 years
Motor vehicles	5 years

Freehold land is not depreciated as it is deemed to have an infinite life.

Capital work-in-progress represents expenditure incurred in setting up new commercial facilities which are realisable and depreciated when put to commercial use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining net profit.

Repairs and renewals are charged to the consolidated statement of profit or loss and other comprehensive income when the expenditure is incurred.

The carrying amounts of the property, plant and equipment are reviewed quarterly for impairment when events or changes in circumstances indicate that carrying amounts may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the carrying values are written-down immediately to their recoverable amounts.

Investment properties

Investment properties, principally comprising freehold land and buildings, are held either to earn long-term rental yields or for capital appreciation.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

4. Significant Accounting Policies (continued)

Investment properties (continued)

Investment properties are treated as long-term investments and are initially recorded at cost, including all transaction costs. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Subsequent to initial recognition, investment properties are re-measured at their fair values, representing open market values determined annually by independent property valuers, and any unrealised gains or losses arising are included in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise. Fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Subsequent expenditure relating to an investment property is added to the carrying value when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Group.

Investment properties are derecognised when they have either been disposed-off, or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on de-recognition of an investment property are recognised in the consolidated statement of profit or loss and other comprehensive income in the year of de-recognition.

Joint venture

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – refer below).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

4. Significant Accounting Policies (continued)

Investment in associates

An associate is an entity over which the Group exercises significant influence, but not control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted for, from the date significant influence commenced until the date that significant influence effectively ceased.

Investments in associates are carried at cost, including goodwill, as adjusted for by the Group's share of post-acquisition changes in the associate's retained earnings and other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. The results of associates are equity accounted, based on their most recent audited or unaudited financial statements.

Losses of associates are recorded in the consolidated financial statements until the investment in such associates is written down to nil value. Thereafter, losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the cash flow characteristics and business model these assets are held under. The Group's accounting policy for each category is as follows:

a. Financial assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at their fair values. Realised and unrealised gains and losses arising from changes in the fair value are included in the statement of profit or loss in the period in which they arise. The Group generally trades in listed bonds/sukuks which are categorised as fair value through profit or loss along with the Group's investments in quoted and unquoted equity instruments.

b. Financial assets carried at amortised cost

Financial assets carried at amortised cost are initially recognised at cost and subsequently re-measured using effective interest rate method. Categories of financial assets measured at amortised cost are given below:

Trade and other receivables

Trade and other receivables are carried at their anticipated realisable values. An estimate is made for impaired trade receivables based on a review of all outstanding amounts at the year-end. Bad debts are written-off during the year in which they are identified. Impairment provision is recognised based on expected losses over the entire life of the trade and other receivables unless these are collectable over more than 12 months, in which case impairment losses are recognised on three stage expected credit losses model developed internally by the Group.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

4. Significant Accounting Policies (continued)

Financial assets (continued)

Short-term deposits

Short-term deposits consists of fixed deposits held with Group's bankers with maturities of more than 90 days but less than 365 days and are carried at their anticipated realisable values.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances held with banks.

Financial liabilities

The financial liabilities of the Group consist of trade and other payables. These financial liabilities are initially recognised at fair value and are subsequently re-measured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation in future and the amount of the obligation can be reliably estimated.

Share-based payment plan

The Group operates an equity-settled share-based payment plan to certain employees. Equity-settled share-based payments are measured at their fair values (excluding the effect of non-market based vesting conditions) at the date of the grant. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

The Group estimates the number of shares that will eventually vest and adjust for the effect of non-market based vesting conditions. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium on the grant date of options.

Inventories

All inventories are stated at the lower of cost and net realisable value. Cost, which is computed on the weighted average basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of selling price in the ordinary course of business, less selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

4. Significant Accounting Policies (continued)

Employees' terminal benefits

a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b) Post employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Treasury shares

Shares of the Company repurchased at the consolidated statement of financial position date are designated as treasury shares until they are reissued or cancelled. The nominal value of treasury shares are disclosed as a deduction from reserves, with the difference between the nominal value of the shares and their purchase cost being adjusted against the retained earnings or the share premium account in the consolidated statement of changes in shareholders' equity. Gains or losses arising on the sale of treasury shares are recognised in the consolidated statement of change in shareholders' equity.

Dividends declared

Dividends declared are recognised in the consolidated statement of changes in shareholders' equity in the year in which they are approved by the shareholders in the Annual General Meeting.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

4. Significant Accounting Policies (continued)

Operating income

The income and costs arising from the screening of films rented from other distributors, and advertising income, are recognised in the consolidated statement of profit or loss and other comprehensive income on accrual basis.

Operating income also includes the sale of food and drinks. Sales are recognised upon delivery of the products or services to the customers.

Other income

Other income is recognised when the Group's right to receive payment is established.

Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated statement of profit or loss and other comprehensive income. Non monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

5 Critical Accounting Judgment and Key Source of Estimation Uncertainty

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- economic useful lives of property, plant and equipment;
- classification of investments;
- fair value measurement;
- joint venture;
- going concern;
- power to exercise significant influence;
- legal proceedings;
- provisions; and
- contingencies.

Economic useful lives of property, plant and equipment

The Group's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. Useful economic lives of property, plant and equipment are reviewed by management quarterly. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

5 Critical Accounting Judgment and Key Source of Estimation Uncertainty (continued)

Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as financial assets as subsequently measured at either amortised cost or fair value. The classification of each investment reflects the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Fair value measurement

A number of assets and liabilities included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Group that either require fair value measurements or only fair value disclosures as at 31 December 2017 and 2016 are disclosed in Note 31.

Joint Venture

For all joint arrangements structured in separate vehicles the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the group must consider include:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances

Upon consideration of these factors, the Group has determined that all of its joint arrangements structured through separate vehicles give it rights to the net assets and are therefore classified as joint ventures.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

5 Critical Accounting Judgment and Key Source of Estimation Uncertainty (continued)

Going concern

The management of the Group reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.

Power to exercise significant influence

When the Group holds less than 20% of the voting rights in an investment but has the power to exercise significant influence, such an investment is treated as an associate. In the opposite situation where the Group holds more than 20% of the voting rights and the Group does not exercise significant influence, the investment is treated as an available-for-sale investment, since the Group's control is considered temporary in nature. The Group exercises control over all its subsidiaries where the Group's investments are more than 50% of the voting rights.

Legal proceedings

The Company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Provisions

The Group creates provisions for impaired trade receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2017, in the opinion of the management, a provision of BD11,531 was considered necessary against trade receivables (2016: BD11,531). When evaluating the adequacy of a provision for impaired trade receivables that do not contain a significant financing component, lifetime expected credit losses are recognized because of their short term nature. Management bases its estimate on current overall economic conditions, ageing of the trade receivables balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the impaired other receivables recorded in the consolidated financial statements.

The Group also creates an allowance for obsolete and slow-moving inventories. At 31 December 2017, in the opinion of Group's management a provision of BD1,577 (2016: BD1,577) was required for obsolete and slow-moving inventories. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the consolidated statement of financial position date to the extent that such events confirm conditions existing at the end of the year.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

6 Property, Plant and Equipment

	Freehold land and buildings	Building on leasehold land/leasehold improvements	Fixtures, furniture and office equipment	Motor vehicles	Total
Cost or valuation					
At 31 December 2015	5,210,784	2,598,389	13,213,821	189,311	21,212,305
Additions	821,716	-	806,993	25,572	1,654,281
Transfers from capital work-in-progress (Note 7)	-	-	1,883,952	-	1,883,952
Disposals	-	-	-	(24,192)	(24,192)
Write-off – Tagging**	-	-	(1,332,071)	-	(1,332,071)
Write-off – Awal***	(539,906)	-	(1,328,910)	-	(1,868,816)
At 31 December 2016	5,492,594	2,598,389	13,243,785	190,691	21,525,459
Additions	3,800	-	335,258	4,980	344,038
Transfers from capital work-in-progress (Note 7)	-	-	583,716	-	583,716
Transferred to an associate company	-	(649,587)	(3,180,465)	-	(3,830,052)
Disposals on sale of business operations	-	(649,587)	(2,626,729)	-	(3,276,316)
*Write-off	-	-	(676,862)	-	(676,862)
At 31 December 2017	5,496,394	1,299,215	7,678,703	195,671	14,669,983
Accumulated depreciation					
At 31 December 2015	483,432	1,400,710	7,480,743	101,447	9,466,332
Charge for the year	11,369	123,247	908,251	31,640	1,074,507
On disposals	-	-	-	(24,190)	(24,190)
**Write-off – Tagging	-	-	(1,293,367)	-	(1,293,367)
Write-off – Awal***	(483,432)	-	(1,251,703)	-	(1,735,135)
At 31 December 2016	11,369	1,523,957	5,843,924	108,897	7,488,147
Charge for the year	41,086	90,897	823,371	32,620	987,974
Transferred to an associate company	-	(234,221)	(1,519,201)	-	(1,753,422)
Disposals on sale of business operations	-	(234,221)	(1,528,450)	-	(1,762,671)
Write-off*	-	-	(329,378)	-	(329,378)
At 31 December 2017	52,455	1,146,412	3,290,266	141,517	4,630,650
Net book amount					
At 31 December 2017	5,443,939	152,803	4,388,437	54,154	10,039,333
At 31 December 2016	5,481,225	1,074,432	7,399,861	81,794	14,037,312

*During the year, the Group has completed renovation work of its city centre cinemas which has resulted in write-off of old seats and carpets of BD676,862 in costs and BD329,378 in accumulated depreciation. The corresponding net loss on write-off amounted to BD347,484 is presented separately in the consolidated statement of profit or loss and other comprehensive income.

**During 2016, the Group has completed physical verification and tagging of its fixed assets which has resulted in write-off of BD1,332,071 in costs and BD1,293,367 in accumulated depreciation. The corresponding net loss on write-off amounted to BD38,704 is presented separately in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

6 Property, Plant and Equipment (continued)

*** The Group has commenced residential/commercial project on the Awal property and accordingly the assets having net book value of BD133,681 relating to Awal Cinema and the Takatak restaurant previously located on Awal property have been written off/disposed, during 2016. The net loss is presented separately in the consolidated statement of profit or loss and other comprehensive income.

The freehold land and building includes freehold land at the carrying value of BD4,670,877 which was revalued by independent property valuers as at 31 December 2017 which assessed the fair value ranging up to BD5.8 million. Considering the varied range of valuations and ongoing construction project on this land, management has assessed on conservative basis that the carrying value is better representative of the fair value as on 31 December 2017.

Had the revalued land been measured on a historical cost basis, the net book value would have been BD113,435 (2016: BD113,435).

During the year, no revaluation surplus or deficit (2016: BDNil) has been charged to the consolidated statement of profit or loss and other comprehensive income.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of land, as well as the inter-relationship between key unobservable inputs and fair value, are set out in Note 31.

7 Capital Work-in-Progress

	31 December 2017	31 December 2016
Opening balance	4,316,533	1,199,950
Additions during the year	4,272,421	5,000,535
Transferred to property, plant and equipment (Note 6)	(583,716)	(1,883,952)
Closing balance	8,005,238	4,316,533

Capital work-in-progress includes costs incurred for the residential/commercial project on the Awal property which is expected to be completed by first quarter of the year 2018.

8 Investment properties

	31 December 2017	31 December 2016
Opening balance	7,758,015	7,687,510
Additions	2,500	-
Unrealised fair value (losses)/gains for the year	(8,000)	70,505
Closing balance	7,752,515	7,758,015

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

8 Investment properties (continued)

Investment properties were valued by an independent property valuer, holding a recognised and relevant professional qualification, as on 31 December 2017 and based on the valuation reports an unrealised fair value loss of BD8,000 (2016: gain of BD70,505) has been recorded in the consolidated statement of profit or loss and other comprehensive income.

9 Investment in Joint Ventures

	31 December 2017	31 December 2016
Cost		
Opening balance	686,886	583,170
Additions of investment in Al Murjan Restaurants Management W.L.L.	103,710	103,716
	790,596	686,886
Retained earnings		
Opening balance	3,215,985	3,265,576
Share of profits/(losses) for the year:		
- Qatar Bahrain International Cinema W.L.L. (Profit) (Note 27)	186,350	413,943
- Qatar Bahrain International Cinema W.L.L. (Reserves)	(1,030,415)	-
- Saar Cinema Complex (Note 27)	25,099	68,993
- Al Murjan Restaurant (Note 27)	(93,722)	(145,480)
	(912,688)	337,456
Impairment loss for the year:		
- Qatar Bahrain International Cinema W.L.L.	(2,579,478)	-
- Al Murjan Restaurant	(230,260)	-
	(2,809,738)	-
Dividend for the year:		
- Qatar Bahrain International Cinema W.L.L.	(189,825)	(325,047)
- Saar Cinema Complex	(37,993)	(62,000)
	(227,818)	(387,047)
Closing balance	(734,259)	3,215,985
Net book value		
At 31 December	56,337	3,902,871

The above financial information relating to the Group's investment in joint ventures has been extracted from unaudited management accounts prepared as at, and for the year ended 31 December 2017.

The management has performed an impairment assessment of the investments as at 31 December 2017 and identified an impairment loss amounting to BD2,809,738 on the carrying value of the Group's investments in joint ventures.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

10 Investment in an Associate

	31 December 2017	31 December 2016
Cost		
Investment in Vox Cineco Cinemas Company W.L.L. during the year	23,949,510	-
Share of profits for the year	1,009,244	-
Closing balance	24,958,754	-

As explained in Note 2, the Group entered in to an agreement with Majid Al Futtaim Cinemas Bahrain Co. S.P.C. on 27 September 2016 to form a new company "Vox Cineco Cinemas Company W.L.L."

As per the agreement, Bahrain Cinema Company B.S.C. sold 50% of its City Centre cinemas operations for a consideration that is payable in equal installments over 7 years (Note 12). Further, on payment of the annual installments referred to above every 1 October, a fixed 4.5% charge to the remainder of the lump sum owed to the Group will be levied on the date of payment immediately before the payment is made. Moreover, under the terms of the agreement both the parties are entitled to profits or losses generated from the City Centre Cinemas operations equally from Vox Cineco Cinemas Company W.L.L.

The Group has recognised a gain of BD39,121,310 on this transaction in the consolidated statement of profit or loss and other comprehensive income during the year which represents BD19,560,655 on net cash consideration and fair value of retained 50% interest in City Centre cinema operations amounting to BD19,560,655 in accordance with IFRS 10 "Consolidated Financial Statements" presented as investment in associate in these consolidated financial statements.

The carrying value of Group's investment in associate includes goodwill on acquisition amounting to BD19,884,431. The management has performed an impairment assessment of goodwill as at 31 December 2017 and concluded that no impairment is required for the year.

As stated in Note 2, during the period Bahrain Cinema Company B.S.C. also made payment of BD500,000 towards capital contribution representing 50% of the authorised and paid up capital of the new associate company.

The Group's share in the net profit or loss of the associates have been extracted from audited financial statements prepared as at, and for the year ended:

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

10 Investment in an Associate (continued)

	31 December 2017	31 December 2016
Non-current assets	3,226,729	-
Current assets	9,228,619	-
Non-current liabilities	(46,589)	-
Current liabilities	(2,219,518)	-
Net assets	10,189,241	-
Group's share of net assets of the associates	5,094,621	-
Operating revenue	14,463,961	-
Net profit for the year	4,278,933	-
Group's share of net profits of the associates (Six months)	1,009,244	-

11 Inventories

	31 December 2017	31 December 2016
Films and spares equipment	319,244	523,787
Provision for obsolete and slow-moving inventories	(1,577)	(1,577)
	317,667	522,210

There has been no movement in the provision for obsolete and slow-moving inventories during the year.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

12 Trade and Other Receivables

	31 December 2017	31 December 2016
Trade receivables	739,156	1,030,903
Provision for impaired trade receivables	(11,531)	(11,531)
	727,625	1,019,372
Interest free loans to employees for purchase of shares of the Company (Note 26)	281,535	319,797
Deposits / rental advance	165,742	758,078
Advances to suppliers	746,137	490,247
Amounts due from related parties (Note 30)	126,603	32,753
Prepayments	149,355	57,175
Receivable on disposal of business operations**	3,152,353	-
Other receivables	295,774	197,331
	5,645,124	2,874,753

At 31 December, the ageing of net unimpaired trade receivables is as follows:

	Total	Less than 30 days	30-60 days	More than 60 days*
2017	727,625	303,497	36,376	387,752
2016	1,019,372	228,770	750	789,852

*Past due but not impaired

**Receivable on disposal of business operations represent current portion of total net cash consideration receivable against the sale of 50% interest in City Centre Cinema Operations of the Group, as disclosed in Note 10. Part of the net consideration amounting to BD15,761,762 that is receivable beyond 12 months from the date of consolidated financial information is presented as non-current portion in the consolidated statement of financial position. In the opinion of the Group's management, the fair values of these receivable balances are not expected to be significantly different from the carrying value as at 31 December 2017 as impact of discounting is not considered to be material.

Trade receivables are generally on 30 to 90 days credit terms.

Amounts due from related parties are unsecured, bear no profit, have no fixed repayment terms and are realisable by the Group's management.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

13 Financial Assets at Fair Value Through Profit or Loss

	31 December 2017	31 December 2016
Quoted equity investments	6,729,234	6,065,112
Unquoted investments and managed funds	964,758	1,993,909
Bonds and sukuk	405,153	248,259
	8,099,145	8,307,280
Movement during the year		
Opening balance	8,307,280	15,146,930
Additions	373,345	281,433
Disposals	(404,882)	(6,545,915)
Unrealised fair value loss on financial assets at fair value through profit or loss, net (Note 23)	(176,598)	(575,168)
Closing balance	8,099,145	8,307,280
	31 December 2017	31 December 2016
Non-current assets	7,693,992	8,059,021
Current assets	405,153	248,259
	8,099,145	8,307,280

The management has classified the quoted and unquoted investments as non-current as it has intention to hold these for long term. Whereas, bonds and sukuk are classified as current as the purpose of holding these assets is to obtain short-term gains from routine buying and selling.

For unquoted and managed funds fair values are assessed on the basis of the project valuation reports by the independent fund managers and latest audited consolidated financial statements of the investee companies wherever applicable.

Financial assets at fair value through profit or loss also include debt securities listed on bond markets valued at their quoted bid prices as of 31 December 2017.

Financial assets at fair value through profit or loss are denominated in the following currencies:

Currency	31 December 2017	31 December 2016
Bahrain Dinar	6,219,377	5,821,415
Kuwait Dinar	315,094	264,713
United States Dollar	1,563,949	2,220,353
Oman Riyal	725	799
	8,099,145	8,307,280

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

14 Short-term Fixed Deposits

These represent short term fixed deposits with banks in conventional instrument and Islamic instruments such as Mudarabah having maturity of 1 year and carry profit rates ranging between 1.8% - 4% (2016: 1.8% - 4%).

15 Cash and Bank Balances

	31 December 2017	31 December 2016
Current account balances with banks	2,168,121	114,774
Cash on hand	94,058	355,247
	<u>2,262,179</u>	<u>470,021</u>

16 Share Capital

Authorised

100,000,000 ordinary shares of 100 fils each
(2016: 100,000,000 ordinary shares of 100 fils each)

	31 December 2017	31 December 2016
	<u>10,000,000</u>	<u>10,000,000</u>

Issued, subscribed and fully paid-up:

82,623,450 ordinary shares of 100 fils each
(2016: 66,098,760 ordinary shares of 100 fils each)

	<u>8,262,345</u>	<u>6,609,876</u>
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Treasury shares

3,459,751 ordinary shares of 100 fils each
(2016: 2,767,801 ordinary shares of 100 fils each)

	<u>345,976</u>	<u>276,781</u>
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Bonus shares

During the year, the Company issued one bonus share for every four shares held to its shareholders, translating to 16,524,690 shares as bonus (2016: Nil).

Treasury shares

During 2016, 383,522 treasury shares were acquired having nominal value of BD38,352 at rate of BD1.2 for BD461,492 according to Article 8 of Articles of Association of the Company which allows a purchase up to 10% of the Company's issued and fully paid-up share capital. The nominal value of these shares has been disclosed as deduction from reserves. Whereas, the difference, between the nominal value of the acquired shares, and the purchase price, amounting to BD423,140 has been adjusted against share premium. Further, during 2017, the Company issued one bonus share for every four shares held to its shareholders. Accordingly, the Company issued 691,950 treasury shares as bonus shares during the year (2016: Nil). The Company holds 3,459,751 (2016: 2,767,801) (4.19% of the total issued and paid-up share capital) as treasury shares as at 31 December 2017 (2016: 4.19% of the total issued and paid-up share capital).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

16 Share Capital (continued)

Additional information on shareholding pattern

- i) The names and nationalities of the major shareholders holding 5% or more of the issued shares as at are as follows:

31 December 2017	Nationality	Number of shares	Percentage of share-holding interest
Bahrain Family Leisure Company B.S.C.	Bahraini	5,724,070	6.93%
Yousif Abdulla Amin	Bahraini	4,703,158	5.69%
General public and corporations	Various	72,196,222	87.38%
		<u>82,623,450</u>	<u>100%</u>

31 December 2016	Nationality	Number of shares	Percentage of share-holding interest
Bahrain Family Leisure Company B.S.C.	Bahraini	4,579,256	6.93%
Yousif Abdulla Amin	Bahraini	3,762,527	5.69%
General public and corporations	Various	57,756,977	87.38%
		<u>66,098,760</u>	<u>100%</u>

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

- iii) The distribution of the Company's equity shares analyzed by the number of shareholders and their percentage of shareholding is set out below:

31 December 2017	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	441	33,158,072	40.13%
Between 1% and 5%	25	39,038,150	47.25%
Between 5% and 10%	2	10,427,228	12.62%
	<u>468</u>	<u>82,623,450</u>	<u>100%</u>

31 December 2016	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	440	27,604,862	41.76%
Between 1% and 5%	25	30,152,115	45.62%
Between 5% and 10%	2	8,341,783	12.62%
	<u>467</u>	<u>66,098,760</u>	<u>100%</u>

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

16 Share Capital (continued)

iv) Details of the directors' interests in the Company's shares as at 31 December are as follows:

	2017	2016
	Number of shares	Number of shares
Dr Esam Abdulla Yusuf Fakhro	3,984,266	3,187,413
Ali Yusuf Ali Ubaydli	-	262,808
Mohamed Ebrahim Khalil Kanoo	347,228	277,783
Jalal Mohamed Yusuf Jalal	482,658	386,127
Fareed Yusuf Khalil Almoayyed	475,781	380,625
Jehad Yusuf Abdulla Amin	1,138,082	910,466
Shawqi Ali Yusuf Fakhro	712,555	570,044
Ahmed A. Rashed	356,525	285,220
	7,497,095	6,260,486

17 Reserves

(i) Share premium

Share premium represents the difference between the exercise price and the par value of the shares issued.

(ii) Revaluation reserve

The revaluation reserve represents the net surplus arising on revaluation of freehold land (Note 6). This reserve is not available for distribution. During the year, there was no change in revaluation reserve (2016: BDNil).

(iii) Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law Decree number 21 of 2001, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. During the year, amount of BD826,235 has been transferred to the statutory reserve (2016: BDNil).

(iv) Charity reserve

This represents the reserve set aside for charity. During the year, BD50,799 was transferred to this reserve (2016: BD98,960).

(v) Retained earnings

This represents all other net gains and losses and transactions with shareholders not recognised elsewhere.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

18 Employees' Terminal Benefits

	2017	2016
Employees' terminal benefits (b)	294,163	296,299
Employees' other benefits (c)	3,354,347	-
	3,648,510	296,299

a) Local employees

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2017 amounted to BD181,090 (2016: BD171,283).

b) Expatriate employees

The movement in leaving indemnity liability applicable to expatriate employees is as follows:

	31 December 2017	31 December 2016
Opening balance	296,299	237,281
Accruals for the year	89,351	81,869
Payments during the year	(91,487)	(22,851)
Closing balance	294,163	296,299
Number of staff employed by the Group	455	500

c) Other benefits

During the year Group has provided an amount of BD3,913,056 (10% of gain on sale of City Centre operations) as ex-gratia for their existing employees, of which BD558,709 were paid to them during the year ended 31 December 2017.

19 Trade and other payables

	31 December 2017	31 December 2016
Trade payables	1,490,819	1,757,583
Accruals	1,061,176	1,374,698
Unclaimed dividends	445,917	376,486
Amounts due to related parties (Note 30)	1,419,592	21,828
Employees benefit provisions	137,462	158,137
Advance from customers	4,289	63,103
Other payables	94,383	79,662
	4,653,638	3,831,497

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

19 Trade and Other Payables (continued)

Trade payables are normally settled within 30 to 60 days of the suppliers' invoice date and the maturity profile of all the dues are for a period of less than one year. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost and these approximate their fair values.

Amounts due to related parties are unsecured, bear no interest and have no fixed repayment terms.

20 Bank Overdraft

The Group has bank overdraft facilities amounting to BD3,500,000 as at 31 December 2017 (2016: BD3,500,000) which have been secured to finance the working capital requirements of the Group. Bank overdrafts are unsecured, bear interest at rates ranging between 3% and 8.75% per annum (2016: between 3% and 8.75% per annum) and are repayable on demand. However, as at 31 December 2017, the bank overdraft facility has not been utilised by the Group (2016: BD Nil).

21 Other Operating Income

	Year ended 31 December 2017	Year ended 31 December 2016
Rental income	100,351	137,250
Virtual print fees	42,610	110,469
Management fee	61,800	64,170
Foreign exchange gains - net	8,979	18,891
Vocational training income	-	14,505
Profit on sale of property, plant and equipment	9,250	4,948
Miscellaneous income	74,455	67,893
	297,445	418,126

22 General and Administrative Expenses

	Year ended 31 December 2017	Year ended 31 December 2016
Staff costs	1,298,703	1,397,875
Directors' remuneration and sitting fee	298,500	283,000
Social insurance	181,090	171,283
Rent expenses	131,283	131,120
Maintenance expenses	27,406	26,679
Printing and stationary	70,698	89,066
Donations	76,124	75,865
Professional fee	129,962	111,765
Government fees	56,997	94,470
Other expenses	223,426	206,424
	2,494,189	2,587,547

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

23 Income/(Loss) from Investments, Net

	Year ended 31 December 2017	Year ended 31 December 2016
Dividend income	363,109	311,735
Realised loss on sale of financial assets at fair value through profit and loss	(23,378)	(859,770)
Unrealised fair value loss on financial assets at fair value through profit or loss, net (Note 13)	(176,598)	(575,168)
Profit from fixed deposits	99,557	135,498
Interest income from bonds and sukuk	78,603	27,586
	341,293	(960,119)

24 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the number of ordinary shares in issue during the year.

	31 December 2017	31 December 2016
Net profit attributable to the shareholders	34,701,255	4,869,434
Weighted average number of ordinary shares issued	79,163,690	79,163,690
Basic earnings per share	438fils	62fils

The earnings per share has been computed on the basis of net profit for the year divided by the weighted average number of shares outstanding for the year being 79,163,690 net of 3,459,760 weighted average treasury shares. There are no potentially dilutive ordinary shares at 31 December 2017 (2016: Nil), hence the diluted and basic earnings per share are the same.

25 Dividends and Directors' Remuneration

Dividends

Declared and paid

In accordance with resolutions passed at the Annual General Meeting held on 29 March 2017, cash dividends of 50fils per share for the year 2017 (2016: 50fils per share), amounting to a total cash dividend of BD3,166,548 (2016: BD3,185,725) was approved by the shareholders.

Proposed by the Board of Directors

The Board of Directors of the Company have proposed dividend for the year ended 31 December 2017 amounting to BD3,958,185 (2016: BD3,166,548). The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

25 Dividends and Directors' Remuneration (continued)

Directors' remuneration

Accrued and expensed

An amount of BD206,000 has been accrued and expensed as directors' remuneration in 2017, relating to the year ended 31 December 2017 (2016: BD170,000). Directors' remuneration is expensed in the consolidated statement of profit or loss and other comprehensive income to the year which it pertains.

Proposed by the Board of Directors

The Board of Directors of the Company have proposed to pay directors' remuneration of BD206,000 for the year ended 31 December 2017 (2016: BD170,000). This is subject to the approval of shareholders in the Annual General Meeting.

26 Employees' Share Purchase Plan

The Group operates an employees' share purchase plan for certain employees of the Company which was approved by the shareholders at the Extraordinary General Meeting held on 7 December 2004 and subsequently on 26 November 2010.

The Group granted share purchase rights at 500 fils per share on 1 December 2005 and at 600 fils per share on 31 December 2010 to these employees, and agreements were entered into whereby the shares would be held for the beneficial interest of the related employees by the nominee, Aradous Properties Management W.L.L., until payment was received in full from the employees. The share purchases are being financed by the Group through interest-free loans granted to the employees. The loans are secured against the shares held by the nominee and are repayable in equal monthly installments over a period of ten years from the time of issue of shares. Legal title to the shares will be transferred to the employees on full settlement of the loan. No share purchase plan expenses have been recognised during the current year as the amount is considered insignificant by the management.

The installment payments of loan against share purchase plan offered on 1 December 2005 were completed during the year 2016 and accordingly shares were transferred from the nominee, Aradous Properties Management W.L.L. to individual shareholders. Total carrying value of interest-free loans (Note 12) granted to employees as at 31 December 2017 amounted to BD281,535 (2016: BD319,797).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

27 Additional Information Relating to Joint Ventures

The following represent the assets and liabilities, and results of operations of the joint ventures, which are accounted under the equity method.

a) Statement of financial position

	2017			2016		
	Al Murjan Restaurant Management W.L.L.	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.	Al Murjan Restaurant Management W.L.L.	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.
Long-term assets	486,460	148,723	8,634,543	556,577	76,110	8,631,588
Current assets	90,720	103,720	4,582,586	51,938	163,589	4,501,911
	577,180	252,443	13,217,129	608,515	239,699	13,133,499
Current liabilities	(227,278)	(28,976)	(1,910,632)	(174,771)	(25,416)	(2,052,496)
Net assets	349,902	223,467	11,306,497	433,744	214,283	11,081,003
Group's share of net assets	230,260	56,337	2,579,478	220,272	69,231	3,613,368
Impairment	(230,260)	-	(2,579,478)	-	-	-
Closing balance	-	56,337	-	220,272	69,231	3,613,368

b) Statement of profit or loss

	2017			2016		
	Al Murjan Restaurant Management W.L.L.	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.	Al Murjan Restaurant Management W.L.L.	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.
Operating (loss)/ profit	(187,444)	80,814	900,243	(290,960)	222,558	1,799,756
Share of net (loss)/ profit for the year	(93,722)	25,099	186,350	(145,480)	68,993	413,943
Included in the above amounts are depreciation and amortization	73,344	19,844	1,341,464	17,052	15,102	1,042,266
Interest income	-	-	6,409	-	-	8,587

The above financial information relating to the Group's investment in joint ventures has been extracted from the unaudited management accounts for the year ended 31 December 2017.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

28 Segmental Reporting

The primary segment information is presented in respect of the Group's business segments which are in accordance with the Group's management and internal reporting structure.

The Group's operations in Bahrain are organised under the following major business segments:

- Theatre operations
- Restaurants and concession counters
- Others, includes corporate office assets and vehicles

For the year ended 31 December 2017

	Theatre operations	Restaurants/ concession counters	Others	Total
Revenue				
Total external sales	8,195,892	5,916,413	729,835	14,842,140
Less: total variable costs	(4,423,979)	(1,427,589)	-	(5,851,568)
Segment results	<u>3,771,913</u>	<u>4,488,824</u>	<u>729,835</u>	<u>8,990,572</u>
Less: fixed costs				(4,980,178)
Operating gross profit				4,010,394
Other operating income				297,445
General and administrative expenses				(2,494,189)
Provision for staff ex-gratia				(3,913,056)
Net write-off of property, plant and Equipment				(347,484)
Operating loss				(2,446,890)
Net share of loss on joint venture operations				(912,688)
Share of profit from investment in an Associate				1,009,244
Gain on disposal of business operations				19,560,655
Fair value gain on retained interest on investment in an associate				19,560,655
Interest income on long-term receivable				461,032
Unrealised gain on investment properties				(8,000)
Profit on investments, net				341,293
Impairment in investment in joint ventures				(2,809,738)
Finance costs				(54,308)
Net profit				<u>34,701,255</u>

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

28 Segmental Reporting (continued)

For the year ended 31 December 2016

	Theatre operations	Restaurants/ concession counters	Others	Total
Revenue				
Total external sales	13,582,638	7,890,523	1,407,201	22,880,362
Less: total variable costs	(7,705,829)	(1,779,621)	-	(9,485,450)
Segment results	<u>5,876,809</u>	<u>6,110,902</u>	<u>1,407,201</u>	<u>13,394,912</u>
Less: fixed costs				(5,548,341)
Operating gross profit				7,846,571
Other operating income				418,126
General and administrative expenses				(2,587,547)
Net write-off of property, plant and equipment				(172,385)
Operating profit				5,504,765
Share of profit on joint venture operations				337,456
Unrealised gain on investment properties				70,505
Loss on investments, net				(960,119)
Finance costs				(83,173)
Net profit				<u>4,869,434</u>

Apart from the joint venture operations in the State of Qatar which is accounted for using equity method, the Group operates only in the Kingdom of Bahrain and accordingly, no geographical segmental information has been disclosed.

29 Commitments

a) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	31 December 2017	31 December 2016
Not later than one year	913,550	1,471,046
Later than one year and not later than five years	2,987,365	5,366,233
Later than five years	608,099	1,573,557
	<u>4,509,014</u>	<u>8,410,836</u>

The lease expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 amounted to BD1,319,788 (2016: BD1,549,937).

b) Capital commitments

Capital expenditure contracted for various projects at the consolidated statement of financial position date but not recognised in these consolidated financial statements amounted to BD301,988 (2016: BD3,572,360 pertaining to Awal development project).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

30 Transactions and Balances with Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and executive management of the Group.

Related parties consist of the joint ventures, the directors of the Group, their close family members and businesses under their control. The Group's transactions with related parties are authorised by the management.

Trading transactions, where customers or suppliers are controlled or significantly influenced by the directors of the Group, are conducted on an arm's length basis or on normal commercial terms.

A summary of related party balances as at 31 December is as follows:

	Related party relationship	Amount due from (Note 12) 31 December 2017	31 December 2016	Amount due to (Note 19) 31 December 2017	31 December 2016
Saar Cinema Complex	Joint venture	51,727	-	-	9,126
Qatar Bahrain International Cinema W.L.L.	Joint venture	41,051	21,235	-	-
Al Murjan Restaurant Management W.L.L.	Joint venture	16,489	11,518	-	-
Vox Cineco Cinemas Company W.L.L.	Associate company	-	-	1,381,083	-
Various entities*	Common directorship	17,336	-	38,509	12,702
		<u>126,603</u>	<u>32,753</u>	<u>1,419,592</u>	<u>21,828</u>

* These include balances with several related party companies whose individual balances are not material.

Interest free loan to employees for purchase of share includes loan to Executive Director amounting to BD144,856 (2016: BD183,581).

Amount due from/due to related parties are unsecured, bears no interest and have no fixed repayment terms.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

30 Transactions and Balances with Related Parties (continued)

A summary of transactions with related parties is as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
<u>Saar Cinema Complex</u>		
Direct expenses	209,068	255,892
Salaries	91,818	62,917
Management fees	6,000	6,000
Other expenses	74,230	63,530
<u>Qatar Bahrain International Cinema W.L.L.</u>		
Salaries	32,361	36,943
Other expenses	52,068	48,910
Management fees	55,800	58,170
Concession counter purchases	-	31,928
<u>Al Murjan Restaurant Management W.L.L.</u>		
Salaries	-	4,998
Other expenses	4,971	4,788
<u>Vox Cineco Cinemas Company W.L.L.</u>		
Direct expenses	2,667,218	-
Advertisement income	208,033	-
Kiosk and other income	116,118	-
Cinema rent expense	154,389	-
Incentive rent	479,518	-
Other expenses	208,107	-
<u>Directors' remuneration</u>		
Directors' remuneration and sitting fee	298,500	283,000
<u>Entities under common directorship</u>		
Direct expenses	51,671	83,478
Operating income from advertisement	7,500	4,150
Kiosk income	162,826	676,122
Other expenses	355,027	346,817
Rent expenses for corporate office	125,080	127,633

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

31 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the consolidated statement of financial position include cash and bank balances, short-term deposits, financial assets at fair value through profit or loss, trade and other receivables and trade and other payables. The specific recognition methods adopted are disclosed in the individual policy statements associated with each item.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Financial assets at fair value through profit or loss;
- Short-term deposits;
- Cash and bank balances; and
- Trade and other payables.

A summary of the financial instruments held by category is provided below as at 31 December 2017:

<i>Financial assets</i>	<i>Fair value through profit or loss</i>	<i>Amortised cost</i>
Trade and other receivables, excluding prepayments	-	5,495,769
Financial assets at fair value through profit or loss	8,099,145	-
Cash and bank balances	-	2,262,179
Total financial assets	8,099,145	7,757,948
<i>Financial liabilities at amortised cost</i>		
Trade and other payables, net of employee costs		4,516,176
Total financial liabilities		4,516,176

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

31 Financial assets and liabilities and risk management (continued)

A summary of the financial instruments held by category is provided below as at 31 December 2016:

<i>Financial assets</i>	<i>Fair value through profit or loss</i>	<i>Amortised cost</i>
Trade and other receivables, excluding prepayments	-	2,817,578
Financial assets at fair value through profit or loss	8,307,280	-
Short-term deposits	-	5,000,000
Cash and bank balances	-	470,021
Total financial assets	8,307,280	8,287,599
<i>Financial liabilities at amortised cost</i>		
Trade and other payables, net of employee costs		3,673,360
Total financial liabilities		3,673,360

Risk management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets on regular basis. The Group's internal auditors also review the risk management policies and procedures and report their findings to the Audit Committee.

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

- Market risk
 - Profit rate risk
 - Currency rate risk
 - Price risk
- Credit risk
- Liquidity risk

Profit rate risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in market profit rates. The Group's bank overdrafts bear market rates of profit. Further, the short term deposits with banks earn market rates of profit. In the opinion of the Group's management, other assets and liabilities are not sensitive to profit rate risk.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

31 Financial assets and liabilities and risk management (continued)

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has financial assets at fair value through profit or loss in United States Dollars and GCC currencies and foreign currency transactions in Saudi Riyals, Qatari Riyals and Euros. The Bahrain Dinar is effectively pegged to the GCC currencies and United States Dollar. The Group's finance department constantly monitors the fluctuations in foreign currencies and minimises the exposure to foreign currencies.

Price risk is the risk that the Group is exposed to bonds and sukuk and equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equities and bonds, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Investment fair value sensitivity analysis is as follows:

Description	Change	Impact on equity/profit
Financial assets at fair value through profit or loss	+/-5%	+/- 404,957
Financial assets at fair value through profit or loss	+/-10%	+/- 809,915

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with national banks with good credit ratings. Concentrations of credit risk with respect to trade receivables is high as major balance is outstanding against one party only. This party provides advertisement related services to the Company and has long association for these services with the Company and has never disputed or defaulted on any of its contractual payments. In the opinion of the management, the Group's other assets are not sensitive to credit risk. The maximum exposure on the financial assets and liabilities is considered to be equal to their carrying values.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available, including unutilised credit facilities with banks, to meet all future liabilities as they fall due.

Fair value measurement

Fair value is the amount 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.

Financial instruments not measured at fair value on recurring basis include trade and other receivables excluding prepayments, cash and bank balances, short-term deposits and trade and other payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2017.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

(Expressed in Bahrain Dinars)

31 Financial assets and liabilities and risk management (continued)

Fair value measurement (continued)

The following table sets out the fair value hierarchy of financial instruments measured at fair value on recurring basis along with valuation techniques and significant unobservable inputs used in determining the fair value measurement of financial instruments as well as the inter-relationship between observable inputs and fair value:

Non-financial assets	Fair value at 31 December 2017	Fair value at 31 December 2016	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
Freehold land	4,670,877	4,670,877	L2	Independent valuation reports	Current market rates and rate per sq.mtr	Positive correlation between the rate per sq.mtr and the market value
Investment properties	7,752,515	7,758,015	L2	Independent valuation reports	Current market rates and rate per sq.mtr	Positive correlation between the rate per sq.mtr and the market value
Financial assets						
Quoted investments	6,729,234	6,065,112	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted equity investments/ managed funds	964,758	1,993,909	L3	Net assets valuation and financial updates received from the respective companies and the fund managers	Expected exit rates, expected future cash flows, net assets and expected profits based taking into account management knowledge and experience of market conditions similar to industry trends	The higher the future cash flows or profits the higher the fair value of net assets and eventually higher exit rates
Bonds and Sukuk	405,153	248,259	L1	Indicative prices from Bloomberg provided by Group's brokers	Not applicable	Not applicable

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

	Unquoted equity investments/ managed funds
At 31 December 2016	1,993,909
Additions during the year	118,155
Unrealised fair value loss	(751,003)
Disposals during the year	(396,303)
At 31 December 2017	964,758

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017 (Expressed in Bahrain Dinars)

31 Financial assets and liabilities and risk management (continued)

Fair value measurement (continued)

	Unquoted equity investments/ managed funds
At 31 December 2015	1,912,984
Additions during the year	106,189
Disposals during the year	(25,264)
At 31 December 2016	1,993,909

There are no transfers between levels during the year 2016 and 2017.

Capital management

Capital comprises shareholders' capital and reserves attributable to the shareholders of the Group.

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made to the objectives, policies and processes during the years ended 31 December 2017 and 2016.

The Group monitors its capital structure using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt trade and other payables less cash and cash equivalents. Capital includes shareholders' capital and reserves attributable to the shareholders of the Group.

Since the Company's cash and cash equivalents (short-term deposit and financial assets at fair value through profit or loss) exceed its debt as at 31 December 2017, gearing ratio is not required to be calculated and disclosed.

32 Events after reporting date

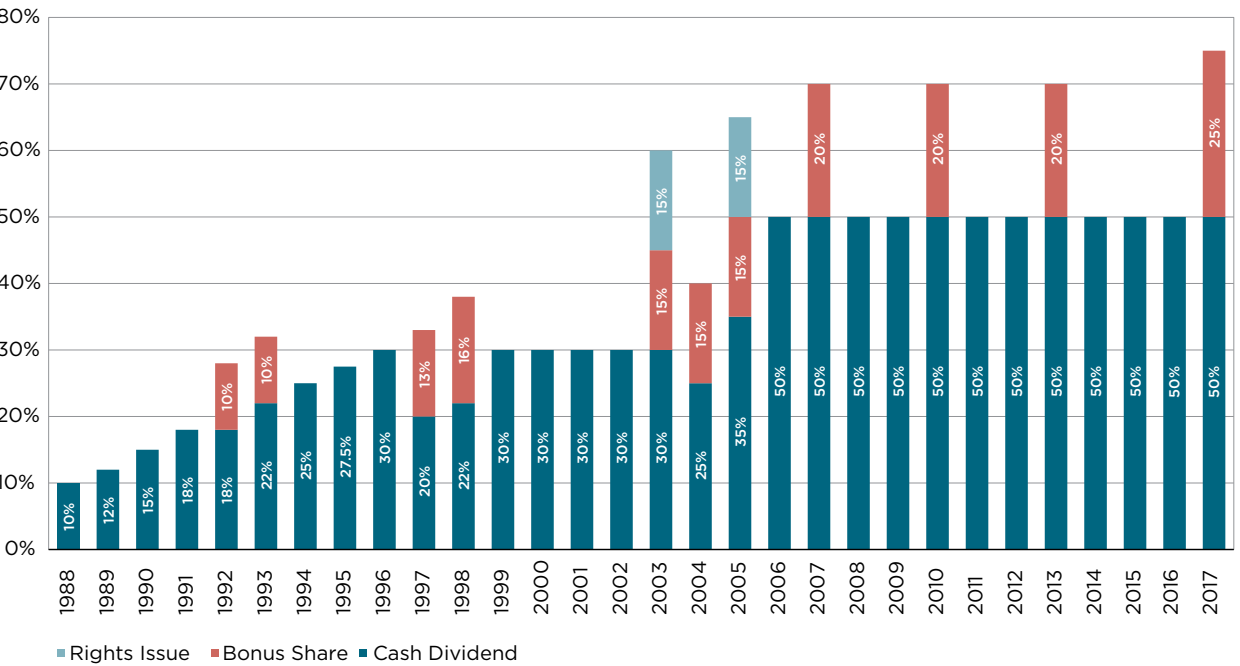
There were no significant events subsequent to 31 December 2017 and occurring before the date of signing of the consolidated financial statements that would have a significant impact on these consolidated financial statements.

Graphs

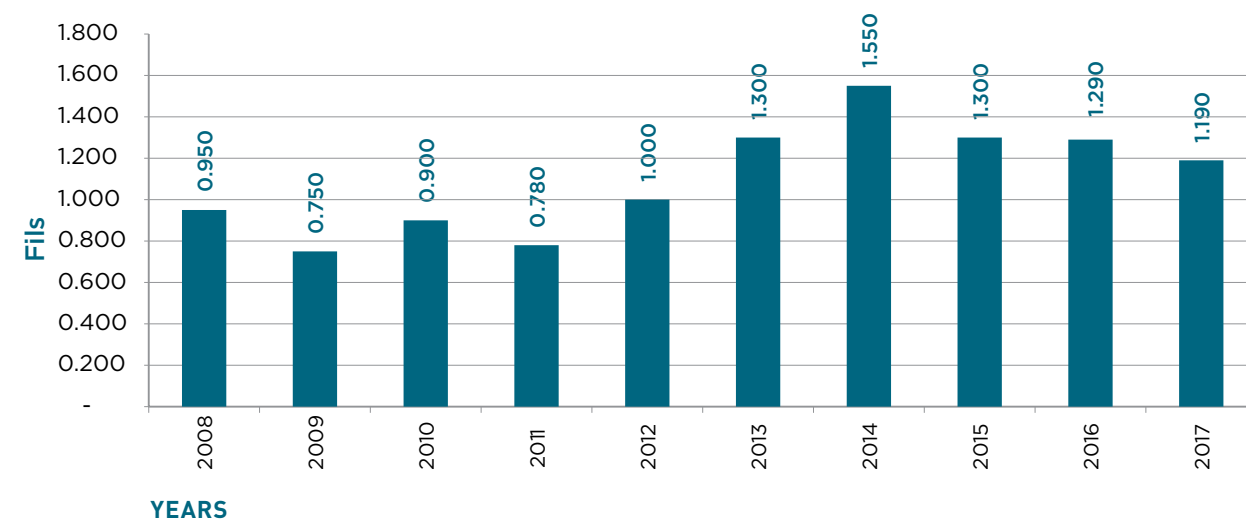
Market Capitalization



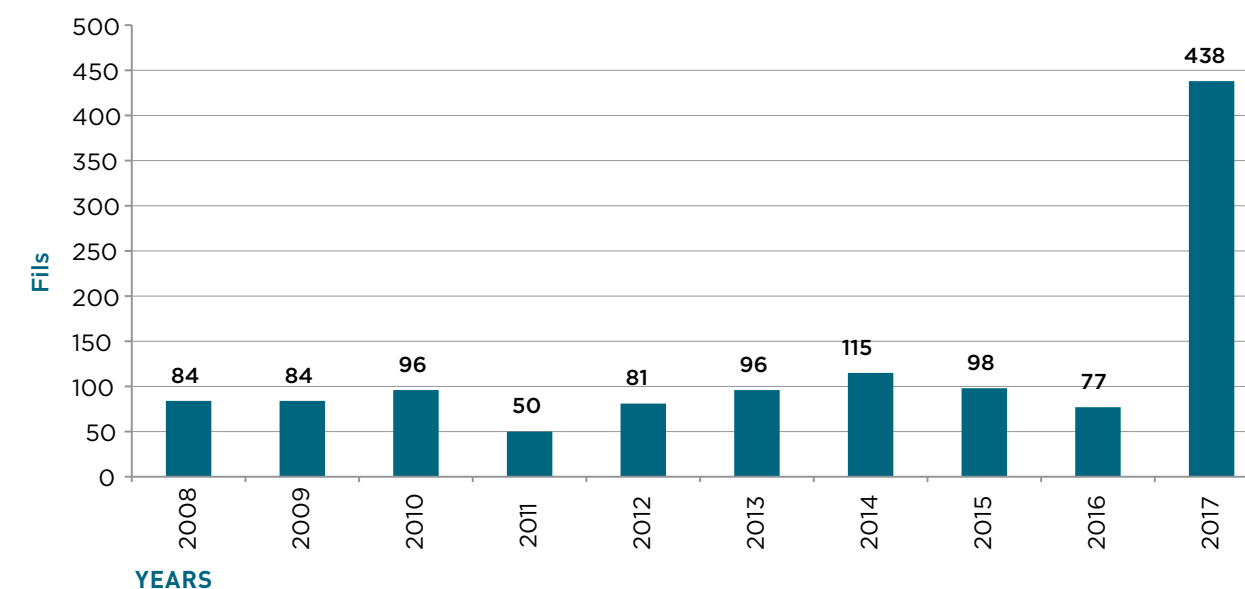
Yearly Dividend Chart from year 1988 to year 2017



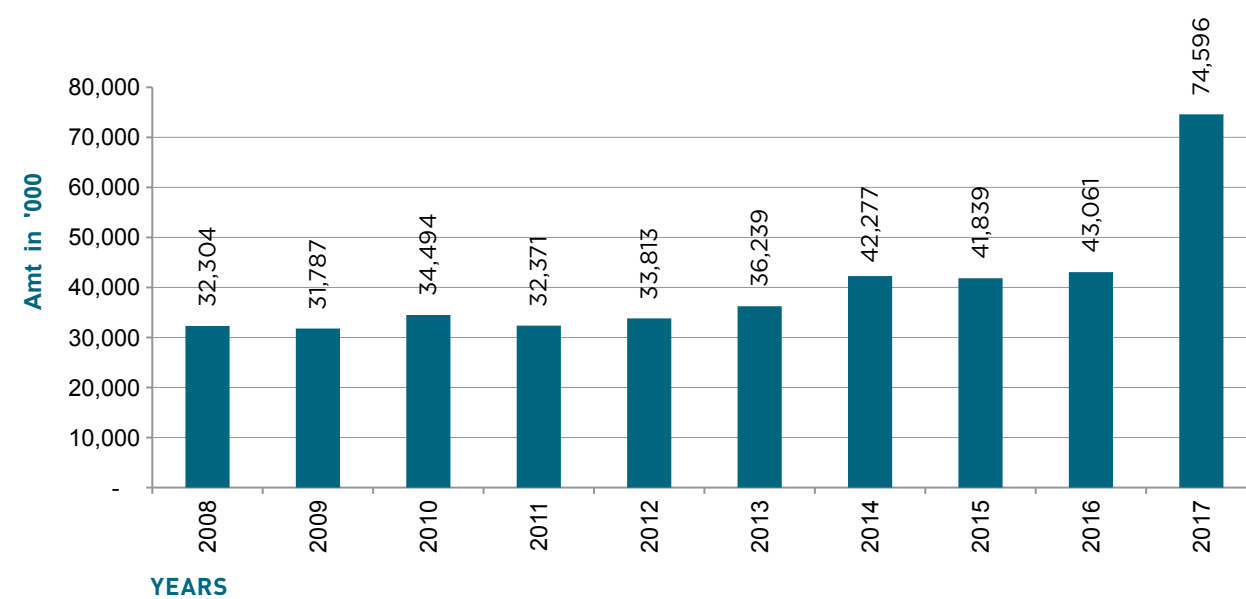
Market Price



Earnings Per Share



Net Worth of The Company (Capital & Reserve)



Net Profit

