

ANNUAL REPORT 2016

INDULGE IN
THE CINEMA UNIVERSE

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

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 Andalous 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 its 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.

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 its 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.

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.

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.

BOARD OF DIRECTORS

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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

CHAIRMAN'S MESSAGE



Dr . Esam Abdulla Fakhro
Chairman

Dear Shareholder,

On behalf of my colleagues on the Board, it is my pleasure and privilege to present the Annual Report and its accompanying consolidated financial statements for the financial year 2016. It is your sustained trust, support and inspiration that have kept your company energized and profitable for the past 49 years. During the year, 2016, since the GCC region has faced renewed oil price volatility; the Government of Bahrain has made fiscal consolidation efforts which have exerted downward pressure on growth. The Global economy witnessed bouts of volatility and the reduction in the growth rate. Markets have been rocked by Brexit Vote in the UK as well as the abortive coup in Turkey. Even the growth drivers have proven to be more elusive. The share markets of GCC continued to be volatile in the year 2016 like in 2015 and we hope this downward trend is ephemeral in nature.

Our Group has a proud legacy going back nearly 5 decades and has already established its credentials as a leading Cinema exhibition company and maintains an overarching position in entertainment industry in Bahrain as it is able to maintain a distinguished financial position continually and proved its ability to deal with different challenges resulted from political and economic crisis surrounding the region and their impacts on the national economy. We live in increasingly competitive times. To succeed in such an environment, we need to differentiate our approach and innovate. As history has shown, corporations that are happy with resting on their laurels are weeded out by nimble competition that have sensed the pulse of customers with an emphasis on innovation to be continuously relevant in these fast changing times. Clearly, across our business, we need to be able to respond swiftly and adapt to changes in market conditions. At Cineco, we are committed to bring our guests ingenious developments in technology infrastructure, to elevate the movie-viewing experience in our cinemas. Our tenacious and tireless efforts in introducing advanced technology in our business has made us undisputed leaders in the cinema exhibition space in Bahrain as well as Qatar benchmarked to only the best in international markets. We continue in our pioneering efforts to bring the very best in audio and video technology along with newer formats of multiplexes, new age technology offerings and a customized space at Cineco. On this end, we kept Barco 4K and 2K DCI compliant projectors at all locations, offering 2D, and 3D formats, and installed Dolby Atmos sound systems. After all, ultimately our very purpose is long term stakeholder value creation.



Planning to open **10 screens Cineplex** in Oasis Mall in Juffair to cater to the expectations of residents of all parts of Bahrain. The construction of this Cineplex is expected to commence in second quarter of the financial year **2017** and become operational in the mid of the financial year, **2018**.



As part of the expansion strategies and alignment of the Company's goal to provide cinemas near to customers' homes, the Group has opened six screens Cineplex in Wadi Al Sail Mall on 14th April, 2016. Furthermore, our Group has also opened Rendezvous Restaurant in Wadi Al Sail Mall to provide wonderful dining experience to its customers. In the pursuit of achieving the excellence through organic growth, we have commissioned 13 screens Cineplex in Gulf Mall and 3 screens Cineplex in Al Khor Mall in the State of Qatar. These new Cineplexes will further strengthen the financial results of the Qatar Bahrain International Cinema WLL (QBIC) from the financial year, 2017.

As part of the overseas expansion strategy and to provide enthralling and rewarding dining experience, the Group has opened for the first time in the State of Qatar, our flagship brand Rendezvous Restaurant in Gulf Mall and the Group has the plans for continual expansion of more Rendezvous Restaurants in the near future.

Financial Performance for the year 2016:

I would now like to present the salient features of our company's performance during the year 2016. At Cineco, we look beyond challenges at the opportunities present, and apply our abilities with focus and foresight. This year's financial result testifies strength of our operational capabilities. Operating income for the financial year 2016 was BD22.88 million as compared to BD 21.72 million registered in the financial year, 2015 marking a growth rate of 5%. Operating gross profit surged to 34.3 % due to the optimization of operating costs as Operating Gross profit for the year 2016 was BD7.84 million as against the operating Gross profit of BD7.6 million registered in the year 2015. The Company has recorded the Net Profit of BD4.87 million in the financial year,

2016 in comparison to BD 6.31 million reported in the previous financial year. Reduction in net profit is due to the loss on disposal of GCC shares and reduction of Joint Venture profits of Qatar Bahrain International Cinema due to higher rental costs and preoperative expenses of Gulf Mall and Al Khor mall Cineplex. Management took a conscious decision to dispose the GCC shares so that the share market fluctuations will not affect the financial position of the Group in the future. Unrealized fair value loss on financial assets at Fair Value Through Profit or Loss as on 31st December, 2016 was BD575k. The Return on Capital Employed (ROCE) and Return on Assets (ROA) for the year, 2016 were 11% and 10.34% respectively.

The net profit for the year 2016 of BD 4,869,434 compared to BD 6,310,267 in 2015. The Earnings per share for the year 2016 was 77 Fils. The total balance sheet footings stood at BD 47,188,995.

In line with our focus on delivering sustained return for the shareholders, 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 ten financial years.

Future outlook:

The overall industry is undergoing rapid changes and it has become essential to continuously refine and sharpen our capabilities. While responding to these changes is imperative, response capability alone will not be sufficient to generate long term sustainable value for stakeholders. Anticipation of the future shape of the industry and taking steps today, to rightly position the Company is extremely important. Our Group has an ambitious plan for the sustenance of steady growth of revenues for the future. Our strategy agenda in the past years spanned a series of initiatives to build and nurture

a strong organization that is ready for the future. Our Group always tries to provide accretive change to the business by exploring the new avenues of development which will complement our core competencies. I would like to talk about one major development at our group. The present lease agreement with Majid AL Futtaim Properties WLL for Cineco 20 is expiring on 9th September, 2023. As per the terms of this lease agreement; since our Group have no option to renew the lease agreement for a further period. Therefore, the Group entered into Joint Venture Agreement with Majid Al Futtaim Bahrain Cinemas SPC to form a new Joint Venture Company to achieve the aim to assure and maintain regular profit stream for the shareholders, the Joint Venture Agreement authorizes the Company to exercise an option to renew the term of lease for a further minimum period of 15 years. We are fine-tuning the final closing conditions of the Joint venture transaction and expect to complete the joint venture deal in the year 2017. This step secures the city center business for at least 22 years and also gives the opportunity to book the windfall profit for the financial year 2017.

Today, as we stand on the cusp of the next phase of our journey, we see our efforts manifests in the building of a leader-as we become one of the best performing, most trusted and respected Cinema Company in Bahrain as well as Qatar. The momentum is propelling us forward ready to take off on new wings, to chart new frontiers of progress.

Our Group always tries hard to expatiate and accelerate success by rapid growth. We are planning to open 10 screens Cineplex in Oasis Mall in Juffair to cater to the expectations of residents of all parts of Bahrain. The construction of this Cineplex is expected to commence in second

quarter of the financial year 2017 and become operational in the mid of the financial year, 2018. The construction of new "Awal Plaza" residential cum commercial building in the place of Awal Cinema is progressing at a faster pace and it is expected to be completed in the third quarter of the financial year, 2017. The rental income from this building will uplift the net profit from the financial year, 2017.

Our Group is planning to renovate the SAAR Cineplex in 2017 by creating proper stadium seating and replacing the existing seats and carpets with new ones. This will definitely enhance the ambience of SAAR Cineplex. We are also planning to renovate Al Hamra Cinema in the year 2017. The Group is planning to commence Takatak outlets in Lulu Hyper Market in Hidd in 2017 and subsequently in other parts of Bahrain.

We are going to install 4DX screen in Gulf Mall, Qatar during the year 2017. And thanks to the investments we've been making, we are poised for an exciting 2017 – and beyond – as we roll out even more screens and accelerate the pace of innovation to further create shareholder value.

Empowering People:

On behalf of the Board, I extend my appreciation to the entire Cineco Team under the leadership of Chief Executive Officer who exhibit professionalism, diligence and resolute dedication to operational excellence to steer the Company on the path of growth and success. I look forward to their continued commitment to take the Company to new heights. I have credence on the exuberant skills and competence of all the employees. Our employees and management share a common culture that cares about the communities in which we work and live. I am also keen to ensure we continue to nurture and recognize outstanding

talent in a true meritocracy. Today, our team is co-creating a robust, forward looking 21st century corporate that shall face all emerging challenges with will and vigor, and perpetuate its legacy of leadership in an increasingly competitive market. I thank once again to all our employees for their loyalty, hard work, consistent efforts, perseverance and commitment given through the years and I am convinced that we can together write a future that continues to build on the past and takes the Cineco name to newer frontiers of growth.

Board of Directors:

I really appreciate the Board of Directors for their successful governance of the Company. The ethical traits, leadership qualities and persistence are entrenched in their functions. The board of directors is open to hear other people's ideas/ point of view while making decisions. The Board of directors also has expertise in the various functions of the Company to foster the growth of the Company. They display an innate ability to take views of all the persons, high standard of care, skill and diligence. Directors act in good faith to promote the success of the organization. Directors always make honest efforts to upgrade the performance of the Company to take the Company to new heights. The Board of directors of our company always works for the welfare of all the stakeholders of the Company.

Shareholders:

On behalf of the Board of Directors, I wish to convey earnest thanks to all our cherished shareholders for their continued trust, confidence, support and cooperation as we get ready to take off on a new runway of progress. The Board always makes every effort for accomplishing excellence and to protect the interests of the shareholders. I look forward for your consistent support for the business of the Company.

Legal Case :

With reference to the Central Market Land case in Kuwait, the Company has not yet received any verdict from Kuwait Public Investment Authority which is the Bankruptcy Officer in this case for disposing debtors' properties and distributing the same to creditors.

Corporate Governance:

Corporate governance is the touchstone of our philosophy and it has been our constant endeavor to confirm to all the relevant directives and guidelines of statutory authorities. The Board of directors always upholds the highest standards of Corporate Governance and adheres to the Rules and Regulations enshrined in the Corporate Governance Code. Our Company has made stupendous 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 enhancing the value of shareholders.



We are going to install **4DX screen** in Gulf Mall, Qatar during the year **2017**



CSR Initiatives:

As a responsible and ethical corporate citizen, sustainable growth is high on our list of strategic goals. Our investment in the community is part of our mandate to embrace sustainable growth and create shared value for all stakeholders. In this pursuit of competitive excellence, we must stay true to our tenets, our traditions and our heritage. And we have to be concerned about our fellow human beings and bolster our endeavors to help the less privileged among us. Going forward, we will build on the already strong foundations that have been created for engaging with communities. As with any of our business, we will leverage our managerial capabilities to ensure we bring innovation to our Corporate Social Responsibility initiatives, optimize their effectiveness, and seek to create measurable impact for our company as a whole. We are committed to do critical and model work to further our CSR agenda.

Proposed Appropriations:

The Board of Directors are pleased to recommend for the approval of shareholders the following appropriations:

- Cash Dividend of 50 % (BD.3,166,548) equal to 50 Fils per share
- Allocation to Charity Reserve BD 98,960

Director's Remuneration:

The Director's remuneration for the year 2016 was BD 170,000. Additionally, sitting fees of the directors for attending Board and Committee meetings held during the year 2016 amounted to BD 113,000 .

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 achieve more accomplishments in the future surpassing its previous achievements as we embark on future with renewed zeal. I am confident we will continue to steer our growth story firmly forward. The future is replete with exciting opportunities for our company, where we see ourselves steering the industry's progress with the cooperation and support of all our partners, employees and all of you.

We have made the most of the improvement in the operational efficiency and created opportunities for ourselves. The stage is getting set for multi-decade growth and we are well positioned for this. Cineco will continue to grow with you every day.

Yours Sincerely,

Dr. Esam Abdulla Fakhro
Chairman

MANAGEMENT TEAM



Mr. Sardar Khan
Chief Programming Officer



Mrs. Karima Farhad
Chief Administrative Officer



Mr. Karnam Yugandhar
Chief Financial Officer



Mr. S.K. Chowdhury
Chief Operating Officer
(Restaurants)



Mr. Sunil Bayalan Balan
Chief Operating Officer
(Cinemas)



Mr. Jürgen Geier
Chief Projects and
Development Officer



Mrs. Anuradha Narasimhan
Company Secretary &
Corporate Affairs

CORPORATE GOVERNANCE REPORT

POLICY

The Board of Directors of Bahrain Cinema Company always believes that the excellence can be achieved through compliance with the provisions of the Law, Rules and Regulations ordained by the Government and Regulatory Authorities in word and in spirit. The Board of Directors of the Group assays Corporate Governance Procedures to protect the interests and defend the rights of the shareholders as well as to attain optimum value for the shareholders. The Board of Directors of the Group ensures that the Company adheres to the best Corporate Governance Practices and is being governed in a transparent and efficient manner. The Corporate Governance Framework of the Group ensures formulation of well-defined strategy, execution of the strategy, compliance with International Financial Reporting Standards and reporting the financial results in an accurate and transparent manner. The quintessential values of the Group are equitable treatment of all the shareholders, imbuing ethical values in decision making process, mitigating the risk, periodical evaluation of the performance of the Board and executive management, attaining excellence in all operations, achieving sustainable growth 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, apropos disclosure of information in the financial statements, well delineated levels of authority and responsibility in the various layers of organizational hierarchy, updating the website as per the requirements of the Law etc.,

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 49 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 benefaction 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 always strives to uphold the highest standards of corporate governance in all the arenas of the business activities and also address the social, regulatory and environmental requirements.

The Group has revamped its website by publishing the Annual Reports for the financial years from 2009 to 2015 and also the interim Financial Statements for the three quarters of the financial year, 2016 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.



November
2016

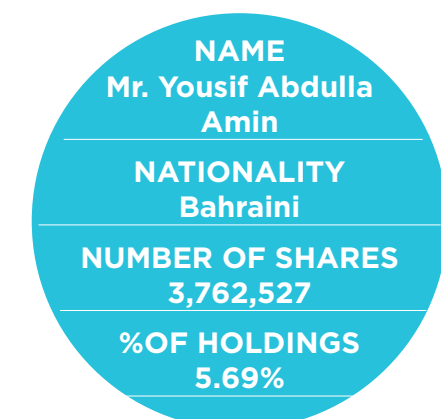
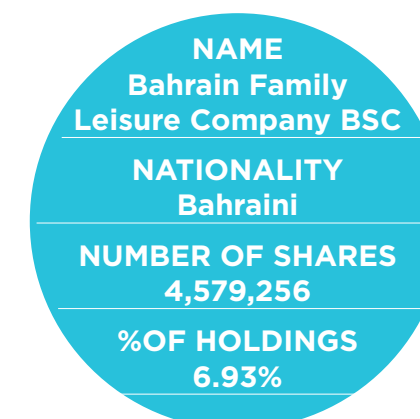
CORPORATE GOVERNANCE DEVELOPMENTS DURING THE YEAR, 2016

The Executive, Nomination and Remuneration Committee was divided into two committees viz., Executive Committee as well as Nomination and Remuneration Committee. Therefore, two separate Charters were created and approved by the Board.

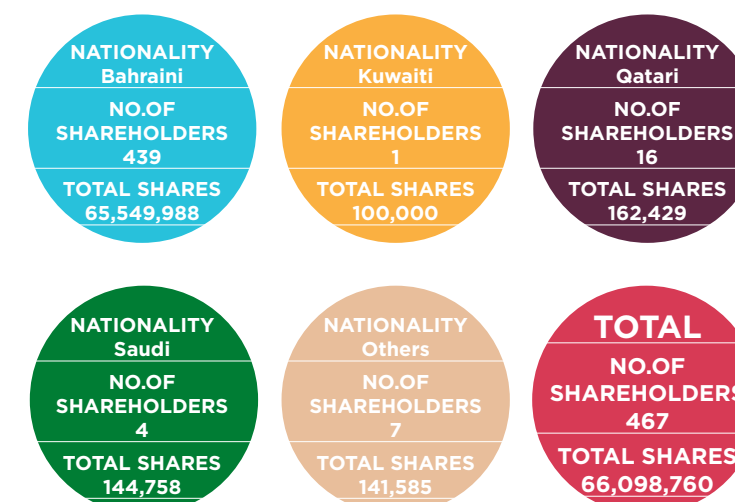
The term of the Board of directors expired in the year, 2016 and the shareholders elected new members of the Board in the Annual General Meeting held on 23rd March, 2016. All the directors were provided with information related to the Corporate Governance Guidelines, the Charters of the Board & Committees and other Policies of the Company.

MAJOR SHAREHOLDERS AS ON DEC 31, 2016:

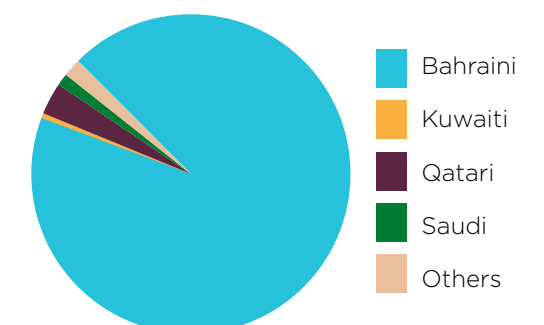
The existing share structure of the Group consists of only ordinary shares and there are no different classes of ordinary shares. The shares of the Company are listed in Bahrain Bourse and the face value of the share is 100 fils per share. All the shares are fully paid. Major shareholders of the Company as on 31st December, 2016 are as follows:



DISTRIBUTION OF OWNERSHIP BY NATIONALITY:



The percentage of shareholding by various nationalities is mentioned below:



OWNERSHIP BY GOVERNMENT:

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

BOARD OF DIRECTORS:

The Board of Directors provides pivotal leadership to the Group as they are entrusted with the responsibility of the governance of the Group. The Board of Directors instils best practices to the matters assigned to them and follows equitable and balanced approach to maintain the goodwill earned by the Group over the years. The Board of Directors always make best judgement of the situations and take the decisions objectively. The Board of directors establishes the strategic objectives and broad policies of the Company, frames 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 wellbeing of the Group. The directors provide direction and guidance to the executive management and monitor the functioning of the Company. The Board of directors applies due care and diligence in their functioning as directors. 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 of the Group always aims to promote the success of the organization and enhance its public image by taking independent and objective decisions by following transparent procedures and practices. The Board of directors takes the decisions after evaluating the pros and cons of each option. The board of directors of the Group has expertise, skill and experience. The directors also keep themselves acquainted with the latest developments in cinema business in Bahrain and in abroad. The directors also keep themselves updated with requirements of various Laws applicable to the Group. 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 on long term objectives without relegating short term objectives. The Board of directors of the Group acts in good faith and integrity as they have to discharge their fiduciary duties towards the shareholders.

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 operational requirements of the Group.

The Board of Directors is conferred with the responsibility of direction and control of the Group.

BOARD PROCEDURE:

The Board procedure is translucently defined by the Charter of the Board. The Group has the practice of dissemination of agenda and other supporting documents well in advance to enable the directors to deliberate and decide on all matters listed in the agenda in the best interests of the Company.

MANDATE AND THE SPECIFIC RESPONSIBILITIES OF THE BOARD INCLUDE:

- Overseeing the direction and management of the Company in accordance with Commercial Companies Law and other Rules and Regulations promulgated by the Government of Bahrain and the Central Bank of Bahrain.
- Periodic evaluation of the operational performance of the Group and give instructions for improvement.
- Ensure that financial statements are free from errors and frauds.
- Disclosure of financial information to the Government Authorities and the public within the stipulated time.
- Recommendation of dividend payable to the shareholders.
- Monitoring the performance of the executive management to ensure that the executives are compensated fairly.

- 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.
- Ensure judicious allocation of resources to achieve the goals enshrined in the Corporate Strategy Plan.
- 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 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 investment above the authorized threshold limit of the Executive Committee.
- Approval of acquiring or selling patent rights, trade marks, licenses or other intellectual property rights.
- Approval of Policies and Procedures for the Company.
- Approval of Corporate Strategy Plan.

DIRECTORS' PROFILES:

Dr. Esam Abdulla Fakhro- Chairman

Chairman	Abdulla Yousif Fakhro & Sons
Board of Advisors	AMA (Private University)
Second Vice - Chairman	Qatar Bahrain International Cinema WLL
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

Mr. Ali Yousif Ubaydli- Vice- Chairman

Director	Aluserv Middle East WLL
Director	Trans Gulf Consult
Managing Director	Yousuf Ali Ubaydli WLL
Managing Director	Yousif Ali Ubaydli Ventures WLL
Director	Royal University for Women
Director	The Gulf Gourmet Group WLL

Mr. Mohammed Ebrahim Kanoo- Director

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

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 ©
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/Market Committee	TRAFCO
Director	BMMI
Member, Executive/Investment Committee	BMMI
Director	Bahrain Live Stock
Member, Executive Committee	Bahrain Live Stock
Director	United Insurance Company
Member, Executive Committee	United Insurance Company
Director	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	Shawki Ali Fakhroo & Sons W.L.L
Vice- Chairman & Managing Director	Mohammed Fakhroo & Bros W.L.L
Managing Director	Fakhroo Trading Agencies W.L.L
Managing Director	Fakhroo Investment W.L.L
Director	Fakhroo Information Technology Services WLL
Director	Shutdown Maintenance Services W.L.L
Director	Arab Life & Accidents Insurance Company, Amman



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, one executive, three independent and four 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	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

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

ELECTION OF DIRECTORS:

Articles 175 and 176 of the Bahrain Commercial Companies Law and Article 18 of the Articles of Association of the Company expatiate the procedure for election of directors. The shareholders of the Group elect the directors in the Annual General Meeting of the Group and in certain circumstances the directors are appointed by the Board. The Nomination and Remuneration Committee makes recommendation for appointment after considering the experience and expertise of the directors before the Directors 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 present incumbents of the Board 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. The written appointment letters reciting 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 DIRECTORS

The directors were formally inducted into the Board. Induction programme 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, the directors were provided with the questionnaire to ascertain their level of acquaintance with the Group. Apart from this, no education or training programme was conducted as the present directors have high level of skills, expertise and experience in cinema and hospitality industry.

DIRECTORS' OWNERSHIP OF COMPANY'S SHARES

Name of the Directors	Type of Shares	Number of shares
Dr. Esam Abdulla Fakhro	Ordinary	3,187,413
Mr. Ali Yousif Ubaydli	Ordinary	262,808
Mr. Mohammed Ebrahim Kanoo	Ordinary	277,783
Mr. Jalal Mohamed Jalal	Ordinary	386,127
Mr. Fareed Yousif Almoayed	Ordinary	380,625
Mr. Jehad Yousif Amin	Ordinary	910,466
Mr. Shawqi Ali Fakhro	Ordinary	570,044
Total		5,975,266

DIRECTORS' TRADING OF COMPANY'S SHARES DURING THE YEAR -2016

Name of Director	Type of Shares	Purchase/ Sale	Number of Shares	Date of transaction
Mr. Jehad Yousif Amin	Ordinary	Purchase	25,000 28,000	15/05/2016 24/05/2016
Mr. Shawqi Ali Fakhro	Ordinary	Purchase	20,000	12/06/2016

Related parties of Dr. Esam Abdulla Fakhro had purchased 40,027 shares of the Company during the year, 2016. Likewise, the related party of Mr. Jehad Yousif Amin has sold 8000 shares. Mr. Ali Yousif Ubaydli sold his 106,368 shares to his related parties and there is transfer of 878,230 shares among his related parties.

BOARD MEETINGS:

The Board should meet at least four times in a year as per H.C. 1.3.3 of the Corporate Governance Code. In addition to these meetings, the Board of directors takes fast decisions by way of Circular Resolutions and these resolutions are duly ratified by the directors subsequently in the duly constituted and convened board meetings. The details regarding the meetings of the Board and the Committees held during the year 2016 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	6	6	4	4			1	1	11	11	100%
Mr. Ali Yousif Ubaydli	6	6	4	4			1	1	11	11	100%
Mr. Mohamed Ebrahim Kanoo	6	6	4	4			1	1	11	11	100%
Mr. Jalal Mohamed Jalal	6	6			4	4			10	10	100%
Mr. Fareed Yousif Almoayed	6	6			4	4			10	10	100%
Mr. Jehad Yousif Amin	6	6	4	4			1	1	11	11	100%
Mr. Shawqi Ali Fakhro	6	6			4	4	1	1	11	11	100%

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.

During the year 2016, all the directors complied with the minimum statutory requirement of 75% attendance. All seven directors attended all the Board & Committee meetings attaining 100% attendance. Notice, agenda and other supporting documents for the meetings are circulated well in advance to enable the directors to take decisions judicially.

DATES OF BOARD MEETINGS AND ATTENDANCE DETAILS:

DIRECTORS	18.01.2016	24.02.2016	23.03.2016	27.04.2016	13.08.2016	07.11.2016
Dr. Esam Abdulla Fakhro	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Ali Yousif Ubaydli	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mohammed Ebrahim Kanoo	Yes	Yes*	Yes*	Yes	Yes	Yes*
Mr. Jalal Mohamed Jalal	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Fareed Yousif Almoayed	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Jehad Yousif Amin	Yes	Yes	Yes*	Yes	Yes	Yes
Mr. Shawqi Ali Fakhro	Yes	Yes	Yes	Yes	Yes	Yes

*Denotes attendance through conference call.

REMUNERATION POLICY OF BOARD OF DIRECTORS:

The method of payment of remuneration to the directors is explicated in Article 188 of Commercial Companies Law No.21 of 2001. The Board of directors is compensated on the basis of their attendance in the Board and the Committee meetings and the annual remuneration. The participation in the meeting via Telephone/Video Conference would tantamount to attendance in the meeting and the directors are remunerated accordingly. The remuneration paid to the directors is in consonance with their participation in the activities of the Board as well as to retain the Directors of high caliber by rewarding them for spending their valuable time for the development 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 113,000.

AGGREGATE REMUNERATION TO BOARD OF DIRECTORS:

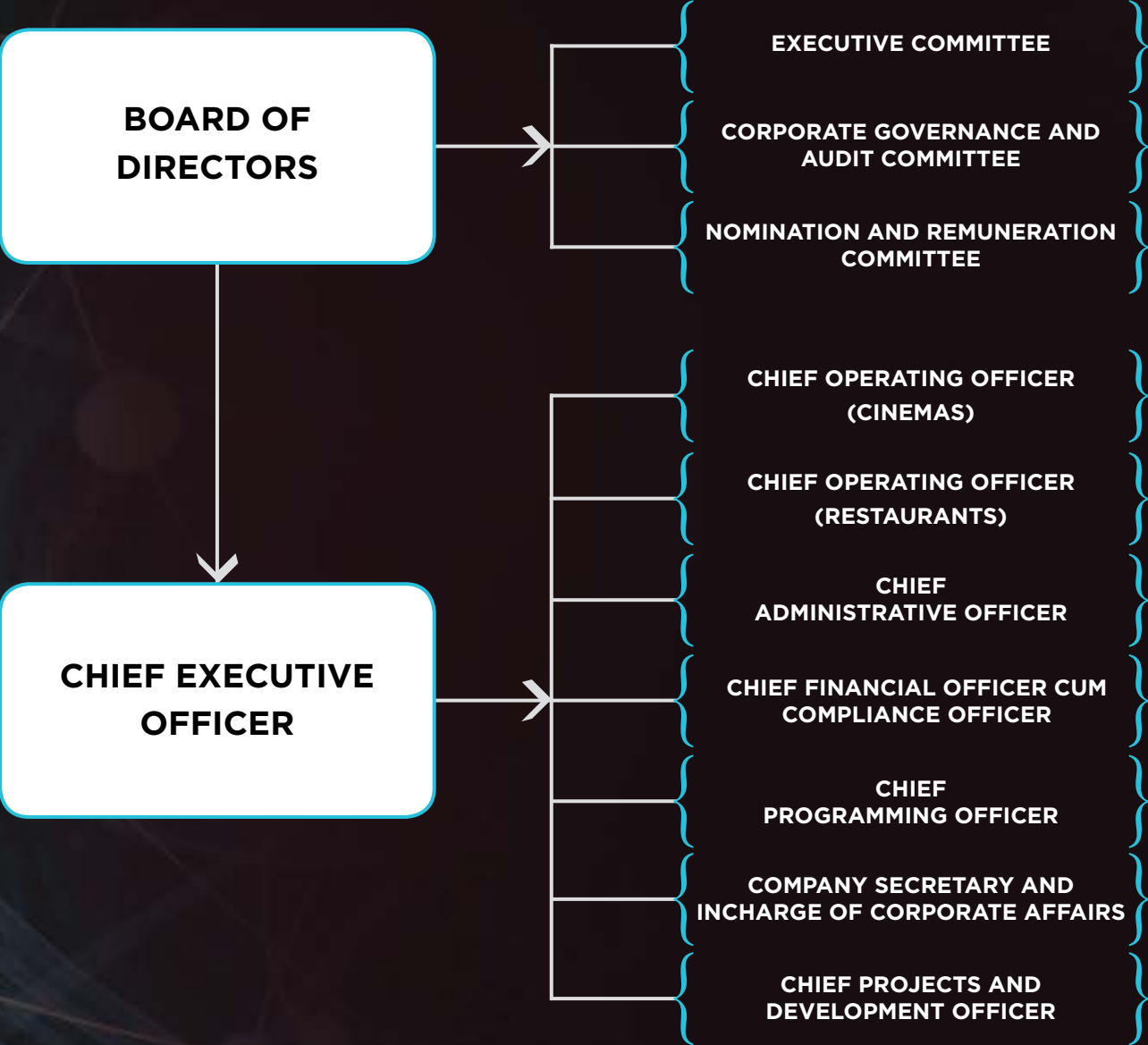
The amount of aggregate remuneration paid to the directors for the financial years 2015 and 2016 is mentioned in Note Number: 24 of the Financial Statement.

CODE OF CONDUCT/ CODE OF ETHICS:

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

- Each and every employee should protect the assets of the Group.
- The 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.Jehad Yousif Amin	Director	-	Yes	Yes
Mr. Jalal Mohamed Jalal	Director	Yes	-	-
Mr. Fareed Yousif Almoayed	Director	Yes	-	-
Mr. Shawqi Ali Fakhro	Director	(CHAIR)	-	Yes

BOARD COMMITTEES:

The main purpose of establishing the committees is to help the Board to monitor the actual functioning of the Group and make recommendation to the Board whenever deems necessary. Minutes of the Committee meetings are provided to the members of the Board periodically. The Board constantly evaluates the composition of the committees for their effective functioning as well as to comply with the requirements of Law.

EXECUTIVE COMMITTEE:

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

Functions of the Executive Committee:

- 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.
- 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.

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:

DIRECTORS	DATES OF MEETING			
	22/03/2016	02/06/2016	26/09/2016	29/11/2016
Dr. Esam Abdulla Fakhro	Yes	Yes	Yes	Yes
Mr. Ali Yousif Ubaydli	Yes	Yes	Yes*	Yes
Mr. Mohammed Ebrahim Kanoo	Yes*	Yes	Yes*	Yes*
Mr. Jehad Yousif Amin	Yes*	Yes	Yes	Yes

*Denotes attendance through conference call.

Sitting fees of the members of the Executive committee for the financial year, 2016 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.
- 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. 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:

DIRECTORS	DATE OF MEETING
	22/03/2016
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.



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 2016, 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	23/02/2016	27/04/2016	13/08/2016	07/11/2016
Mr. Shawqi Ali Fakhro	Yes	Yes	Yes	Yes
Mr. Jalal Mohamed Jalal	Yes	Yes	Yes	Yes
Mr. Fareed Yousif Almoayed	Yes	Yes	Yes	Yes

Sitting fees of the members of the Corporate Governance and Audit committee for the financial year, 2016 amounted to BD14,000 .

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 refrain 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: 29 of the financial statements for the details of related party transactions.

INTERNAL CONTROL:

The main objective of internal control is detection and prevention of errors and frauds, reporting accurate & reliable financial and accounting information, meeting operational and profitability targets, optimum utilization of the organizational resources and conducting the business in an efficient manner. Internal Control has been implemented to achieve the objectives of the Group by improving operational efficiency. Day- to- day internal control has been administered by the management by segregation of duties, controlling access to company’s assets, constant risk assessment, ensuring acquaintance of policies and procedures by staff etc., The Corporate Governance and Audit Committee and the management constantly evaluate the adequacy of the Internal Control processes and procedures.

THE ROLES OF THE CHAIRMAN AND EXECUTIVE MANAGEMENT:

The Board of Directors provides governance, guidance and oversight 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 and providing strategic direction to the management while executive management is responsible for the financial and operating performance of the Group. The contours of duties and responsibilities of the Chairman and the CEO are clearly delineated without giving any room for overlapping of duties and authorities. Furthermore, the duties and responsibilities of all departmental heads are 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, COO- restaurants and COO- Cinemas to maintain incessant functioning and to upkeep the highest level of efficiency of executive management without being affected by short term and long term absence of executive personnel. The Board annually reviews adequacy of Succession Plans to ensure that the Succession plans caters to the requirements of the Group.

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 2016, 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 enunciates that the evaluation of directors with respect to their effectiveness & contribution needs to be disclosed in the Annual Report. During the year, 2016, evaluation was done in the following ways:

1. 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.

2. Evaluation of the Board by each director has been done to assess the functioning of the Board.
3. Evaluation of each committee by each member of the respective committee has also been done for the financial year 2016 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.

Chief Executive Officer has done his own evaluation for the financial year 2016.

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 2016.

MEANS OF COMMUNICATION WITH SHAREHOLDERS AND INVESTORS:

- All the directors are generally present in the Annual General Meetings and Extra-ordinary 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 Karvy Computershare WLL as the Registrar and Share transfer agent and the Board of directors of the Company recommends that they can be reappointed for the financial year 2017.
- The Group published annual results for each quarter and for the entire financial year, 2016 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.

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

- HC1.4.5 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 impair his ability to exercise judgment free from personal conflict of interest.

- As per the provision of HC1.3.6 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.
- 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

Broad objectives of Bahrain Cinema Company with regards to Corporate Social Responsibility are creating an efficacious impact on the society through economic development, taking responsibility for all its actions and making enduring efforts for the well-being of the all the strata of the Society by removing disparities. During its 49 years of existence, the Group has been constantly providing assistance not only towards the social and economic welfare of Bahraini society but also ensures environmental sustainability. BCC has always been endeavoring to retain its Goodwill it has earned since its inception by rendering seamless service to the Society.

BCC has always been committed for the upliftment of the underprivileged sections of the Society by granting donations to various Charitable Institutions, Charity Funds and other organizations which are engaged in philanthropic activities, constructive social services and promotion of general welfare.

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

REGULAR CHARITABLE ACTIVITIES:

- In order to provide youths a proper platform to exploit their vast potential, BCC offers part- time employment opportunities to University students and other deserving Bahraini youths.
- 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 2016 was BD 3,033.
- In order to nurture the home grown talent, BCC is constantly sponsoring training programme to Bahraini employees under Tamkeen programme.
- BCC has been using projectors with digital technology in lieu of Analog Projectors with the aim of negating the environmental hazard caused by 35mm projector reels.
- 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.



Accredited Societies and Funds who are Beneficiaries of Donations and Contributions by BCC during the year 2016 are as follows:

- AAL & Alashab Society
- A'Ali Charity Works Fund
- Al Bu Kuwara Charity Society
- Al Raja School
- Al Anfal Society
- Bahrain Badminton and Squash
- Bahrain Club
- Bahrain Society for S.C.D Patients Care
- Bahrain Society for Training & Development
- Bahrain Voluntary Work Society
- Bahrain Young Ladies Association
- Beit Al Qur'an
- Building Bridges Film Festival Bahrain
- Busaiteen Sports & Cultural Club
- Capital Charity Association
- Future Society for Youth
- Good Word Society
- Hamad Town Charity Fund
- Hidd Charity Society
- Indian Club Toast Master
- International Ladies Group
- Isa Town Fund for Charity Work
- Jiddafs Charity Society
- Malkiya Charity Society
- Manama Charity Society
- Navrathri Celebration at SNCS Bahrain
- Ramadan Basket
- Riffa Charity Society
- Royal Charity Organisation
- Sacred Heart Catholic Church
- Sanabis Charity Fund
- The Indian Fine Arts Society
- Tubli Charity Society
- Zakat Fund

Apart from the above, to support the preservation of Bahrain's culture and heritage, BCC has donated BD 10,000 to "Sheikh Ebrahim Bin Mohammed Al Khalifa Centre for Culture and Research" on the eve of its 15th year celebration.

BCC has been providing donations not only to various Charitable Societies and Funds but also help the needy individuals. During the year 2016, the total contribution by the Company towards social welfare was BD28,010.

To serve the Society on a mass scale, BCC 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 by transferring the rental income to the Charity Reserve. As on 31st December, 2016, the Company has accumulated the Charity Reserve of BD215,335.

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.

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 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and 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 2016, 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 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 2016. 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, advertising income and 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.

Key audit matters (continued)

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 yield and market evidence of transactions prices for similar properties. There is significant measurement uncertainty involved in this valuation.

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 2016, the Group has investments in both listed and unlisted financial instruments as disclosed in Note 12. Listed financial instruments are fair valued at their market price. Management applies significant judgment in the determination of fair values of unlisted investments. Valuation 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 fair value of the quoted investments with the Bahrain Bourse and other stock markets. We critically evaluated the valuation techniques used by the management for determining fair values of unquoted investments.

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

In preparing the 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 Company 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.
- 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.

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

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 managements' 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 2016.

BDO

Manama, Kingdom of Bahrain

27 February 2017



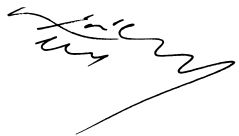
CONSOLIDATED STATEMENT OF FINANCIAL POSITION


of Bahrain Cinema Company B.S.C. as at 31 December 2016

(Expressed in Bahrain Dinars)

	Notes	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	6	14,037,312	11,745,973
Capital work-in-progress	7	4,316,533	1,199,950
Investment properties	8	7,758,015	7,687,510
Investment in joint ventures	9	3,902,871	3,848,746
Financial assets at fair value through profit or loss	12	8,059,021	14,756,898
		38,073,752	39,239,077
Current assets			
Inventories	10	522,210	422,622
Trade and other receivables	11	2,874,753	3,371,055
Financial assets at fair value through profit or loss	12	248,259	390,032
Short-term fixed deposits	13	5,000,000	2,600,000
Cash and bank balances	14	470,021	1,122,564
		9,115,243	7,906,273
Total assets		47,188,995	47,145,350
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	6,609,876	6,609,876
Share premium	16(i)	1,084,396	1,507,536
Revaluation reserve	16(ii)	4,557,442	4,557,442
Statutory reserve	16(iii)	3,304,938	3,304,938
Charity reserve	16(iv)	215,335	116,375
Retained earnings	16(v)	27,565,993	25,981,244
Treasury shares	15	(276,781)	(238,429)
		43,061,199	41,838,982
Non-current liabilities			
Employees' terminal benefits	17	296,299	237,281
Current liabilities			
Trade and other payables	18	3,831,497	5,069,087
Total equity and liabilities		47,188,995	47,145,350

These consolidated financial statements, set out on pages 40 to 74, were approved and authorised for issue by the Board of Directors on 27 February 2017 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

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2016 (Expressed in Bahrain Dinars)

	Notes	2016	2015
Operating income	27	22,880,362	21,724,529
Operating costs		(15,033,791)	(14,115,816)
Operating gross profit		7,846,571	7,608,713
Other operating income	20	418,126	469,303
General and administrative expenses	21	(2,587,547)	(2,399,013)
Net write-off of property, plant and equipment	6	(172,385)	-
Profit from operations		5,504,765	5,679,003
Net share of profit from investment in joint ventures	9	337,456	820,593
Loss from investments, net	22	(960,119)	(794,167)
Unrealised fair value gains on investment properties	8	70,505	674,106
Finance costs		(83,173)	(69,268)
Net profit and other comprehensive income for the year		4,869,434	6,310,267
Basic earnings per share	23	77fils	98fils

These consolidated financial statements, set out on pages 40 to 74, were approved and authorised for issue by the Board of Directors on 27 February 2017 and signed on its behalf by:


Dr Esam Abdulla Fakhro
Chairman


Ali Yousuf Ali Ubaydli
Vice-Chairman

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2016 (Expressed in Bahrain Dinars)

	Notes	Share capital	Share premium	Revaluation reserve	Statutory reserve	Charity reserve	Retained earnings	Treasury shares	Total
At 31 December 2014		6,609,876	4,743,573	4,557,442	3,304,938	-	23,081,833	(20,914)	42,276,748
Dividends for 2014	24	-	-	-	-	-	(3,294,481)	-	(3,294,481)
Purchase of treasury shares	15	-	(3,236,037)	-	-	-	-	(217,515)	(3,453,552)
Transferred to charity reserve		-	-	-	-	116,375	(116,375)	-	-
Net profit and other comprehensive income for the year		-	-	-	-	-	6,310,267	-	6,310,267
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	24	-	-	-	-	-	(3,185,725)	-	(3,185,725)
Purchase of treasury shares	15	-	(423,140)	-	-	-	-	(38,352)	(461,492)
Transferred to charity reserve		-	-	-	-	98,960	(98,960)	-	-
Net profit and other comprehensive income for the year		-	-	-	-	-	4,869,434	-	4,869,434
At 31 December 2016		<u>6,609,876</u>	<u>1,084,396</u>	<u>4,557,442</u>	<u>3,304,938</u>	<u>215,335</u>	<u>27,565,993</u>	<u>(276,781)</u>	<u>43,061,199</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2016 (Expressed in Bahrain Dinars)

	Notes	2016	2015
Operating activities			
Net profit for the year		4,869,434	6,310,267
Adjustments for:			
Depreciation	6	1,074,507	874,109
Write-off of property, plant and equipment, net	6	172,385	-
Unrealised fair value gain on investment properties	8	(70,505)	(674,106)
Net share of profit from investment in joint ventures	9	(337,456)	(820,593)
Unrealised losses on financial assets at fair value through profit or loss	22	575,168	1,829,094
Dividend income	22	(311,735)	(804,943)
Interest income from trading of bonds	22	(27,586)	(102,926)
Profit from fixed deposits	22	(135,498)	(22,480)
Realised loss/(gain) on sale of financial assets at fair value through profit or loss	22	859,770	(94,690)
Realised gain on sale of investment in joint ventures	22	-	(9,888)
Profit on sale of property, plant and equipment	20	(4,948)	-
Finance costs		83,173	69,268
Changes in operating assets and liabilities:			
Inventories		(99,588)	33,063
Trade and other receivables		496,302	(701,487)
Trade and other payables		(1,237,590)	1,788,269
Employee terminal benefits net		59,018	43,179
Net cash provided by operating activities		<u>5,964,851</u>	<u>7,716,136</u>
Investing activities			
Purchase of property, plant and equipment	6	(1,654,281)	(354,582)
Purchase of capital work in progress	7	(5,000,535)	(1,846,748)
Proceeds from sale of property, plant and equipment		4,950	-
Purchase of investment properties	8	-	(4,116,431)
Capital contribution to investment in joint venture	9	(103,716)	(157,731)
Proceeds from sale of investment in joint venture		-	17,888
Purchase of financial assets at fair value through profit or loss	12	(281,433)	(378,887)
Proceeds from sale of financial assets at fair value through profit or loss		5,686,145	5,831,242
Net investments in short term deposits		(2,400,000)	(830,145)
Interest income from bonds and sukuks	22	27,586	102,926
Profits received from fixed deposits	22	135,498	22,480
Reduction in share capital of Saar Cinema Complex	9	-	9,300
Dividend received from joint ventures	9	387,047	58,900
Dividend income received	22	311,735	804,943
Net cash used in investing activities		<u>(2,887,004)</u>	<u>(836,845)</u>
Financing activities			
Purchase of treasury shares	15	(461,492)	(3,453,552)
Dividends paid	24	(3,185,725)	(3,294,481)
Finance costs paid		(83,173)	(69,268)
Net cash used in financing activities		<u>(3,730,390)</u>	<u>(6,817,301)</u>
Net (decrease)/increase in cash and bank balances		<u>(652,543)</u>	<u>61,990</u>
Cash and bank balances, beginning of the year		<u>1,122,564</u>	<u>1,060,574</u>
Cash and bank balances, end of the year	14	<u>470,021</u>	<u>1,122,564</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2016 (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, 1192-2, 1192-9, 1192-16, 1192-18, 1192-19, 1192-20, 1192-21, 1192-22, 1192-23, 1192-24, 1192-25, 1192-26 and 1192-27.

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 2016	Effective ownership interest 2015
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 consolidated financial statements prepared as at, and for the year ended, 31 December 2016.

Joint ventures

Name of joint venture	Country of incorporation	Principal activities	Effective ownership interest 2016	Effective ownership interest 2015
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

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2016 (Expressed in Bahrain Dinars)

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.

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

These assets have been measured at their fair market values except for joint ventures 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.

Improvements/amendments to IFRS 2014/2016 cycle

Improvements/amendments to IFRS/IAS issued in 2014/2016 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 2016 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 2016

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2016 that had a significant effect on the Group's consolidated financial statements.

3 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2016 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 2016 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 1	Presentation of financial statements	1 January 2016
IAS 16	Property, plant and equipment	1 January 2016
IAS 19	Employee benefits	1 January 2016
IAS 27	Separate financial statements	1 January 2016
IAS 28	Investments in associates and joint ventures	1 January 2016
IAS 34	Interim financial reporting	1 January 2016
IAS 38	Intangible assets	1 January 2016
IAS 41	Agriculture	1 January 2016
IFRS 5	Non-current assets held for sale and discontinued Operations	1 January 2016
IFRS 7	Financial instruments - disclosures	1 January 2016
IFRS 10	Consolidated financial statements	1 January 2016
IFRS 11	Joint arrangements	1 January 2016
IFRS 12	Disclosure of interests in other entities	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016

Standards, amendments and interpretations issued but not yet effective in 2016

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2016. They have not been adopted in preparing the consolidated financial statements for the year ended 31 December 2016 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 40	Investment properties	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018

There would have been no change in the operational results of the Group for the year ended 31 December 2016 had the Group early adopted any of the above standards applicable to the Group except for IFRS15, "Revenue from Contracts with Customers" the impact of which is being assessed by the Group.

Early adoption of amendments or standards in 2016

The Group did not early-adopt any new or amended standards in 2016.

4 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements is set out below:

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.

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.

4 Significant accounting policies (continued)

Investment properties (continued)

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.

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:

4 Significant accounting policies (continued)

Financial assets (continued)

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.

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 and 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.

4 Significant accounting policies (continued)

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.

Employee's 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.

4 Significant accounting policies (continued)

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.

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;
- going concern;
- 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.

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 2016 and 2015 are disclosed in Note 30.

5 Critical accounting judgment and key source of estimation uncertainty (continued)

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.

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.

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 2016, in the opinion of the management, a provision of BD11,531 was considered necessary against trade receivables (2015: 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 2016, in the opinion of Group's management a provision of BD1,577 (2015: 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.

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 2014	5,210,784	2,539,192	11,672,075	151,944	19,573,995
Additions	-	59,197	258,018	37,367	354,582
Transfers from capital work-in-progress (Note 7)	-	-	1,283,728	-	1,283,728
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
Accumulated depreciation					
At 31 December 2014	475,198	1,279,192	6,762,167	75,666	8,592,223
Charge for the year	8,234	121,518	718,576	25,781	874,109
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
Net book amount					
At 31 December 2016	5,481,225	1,074,432	7,399,861	81,794	14,037,312
At 31 December 2015	4,727,352	1,197,679	5,733,078	87,864	11,745,973

* During the year, the management has completed physical verification and tagging of its fixed assets which 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 in presented separately in the consolidated statement of profit or loss.

** 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 the year.
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 2016 which reflected the total 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 2016.

6 Property, plant and equipment (continued)

Had the revalued land been measured on a historical cost basis, the net book value would have been BD113,435 (2015: BD113,435).

During the year, no revaluation surplus or deficit (2015: 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 30.

7 Capital work-in-progress

	31 December 2016	31 December 2015
Opening balance	1,199,950	636,930
Additions during the year	5,000,535	1,846,748
Transferred to property, plant and equipment (Note 6)	(1,883,952)	(1,283,728)
Closing balance	4,316,533	1,199,950

Capital work-in-progress includes costs incurred for the residential/commercial project on the Awal property which is expected to be completed by third quarter of the year 2017 and cost incurred for the renovation of cinemas in City Centre mall which is expected to be completed by second quarter of year 2017.

8 Investment properties

	31 December 2016	31 December 2015
Opening balance	7,687,510	2,896,973
Additions	-	4,116,431
Unrealised fair value gains for the year	70,505	674,106
Closing balance	7,758,015	7,687,510

Investment properties were valued by an independent property valuer, holding a recognised and relevant professional qualification, as on 31 December 2016 and based on the valuation reports an unrealised fair value gain of BD70,505 (2015: BD674,106) has been recorded in the consolidated statement of profit or loss and other comprehensive income.

9 Investment in joint ventures

	31 December 2016	31 December 2015
Cost		
Opening balance	583,170	442,739
Additions of investment in Al Murjan Restaurants Management W.L.L.	103,716	157,731
Reduction in share capital of Saar Cinema Complex	-	(9,300)
Disposal of investment in Logistics Company B.S.C. (c)	-	(8,000)
	686,886	583,170
Retained earnings		
Opening balance	3,265,576	2,503,883
Share of profit for the year from Qatar Bahrain International Cinema W.L.L. (Note 26)	413,943	740,147
Share of profit from Saar Cinema Complex (Note 26)	68,993	80,446
Share of loss of Al Murjan Restaurant (Note 26)	(145,480)	-
Dividend from Saar Cinema Complex	(62,000)	(58,900)
Dividend from Qatar Bahrain International Cinema W.L.L.	(325,047)	-
	3,215,985	3,265,576
Net book value		
At 31 December	3,902,871	3,848,746

10 Inventories

	31 December 2016	31 December 2015
Films and spares equipment	523,787	424,199
Provision for obsolete and slow-moving inventories	(1,577)	(1,577)
	522,210	422,622

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

11 Trade and other receivables

	31 December 2016	31 December 2015
Trade receivables	1,030,903	1,267,953
Provision for impaired trade receivables	(11,531)	(11,531)
	1,019,372	1,256,422
Interest free loans to employees for purchase of shares of the Company (Note 25)	319,797	478,997
Deposits / rental advance	758,078	742,907
Advances to suppliers	490,247	759,167
Amounts due from related parties (Note 29)	32,753	5,464
Prepayments	57,175	36,295
Other receivables	197,331	91,803
	2,874,753	3,371,055

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*
2016	1,019,372	228,770	750	789,852
2015	1,256,422	589,599	230,788	436,035

*Past due but not impaired

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

In the opinion of the Group's management, the fair values of the trade receivables are not expected to be significantly different from their carrying values as at 31 December 2016.

Deposits include amounts paid for securing the lease rights at City Centre Mall.

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

12 Financial assets at fair value through profit or loss

	31 December 2016	31 December 2015
Quoted equity investments	6,065,112	12,843,914
Unquoted investments and managed funds	1,993,909	1,912,984
Bonds and sukuks	248,259	390,032
	8,307,280	15,146,930
Movement during the year		
Opening balance	15,146,930	22,333,689
Additions	281,433	378,887
Disposals	(6,545,915)	(5,736,552)
Unrealised fair value loss on financial assets at fair value through profit or loss, net (Note 22)	(575,168)	(1,829,094)
Closing balance	8,307,280	15,146,930
	2016	2015
Non-current assets	8,059,021	14,756,898
Current assets	248,259	390,032
	8,307,280	15,146,930

The management has classified the quoted and unquoted investments as non-current as it has intention to hold these for long term. 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 several bond markets valued at their quoted bid prices as of 31 December 2016.

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

Currency	2016	2015
Bahrain Dinar	5,821,415	6,126,795
Kuwait Dinar	264,713	3,415,506
United States Dollar	2,220,353	2,435,318
United Arab Emirates Dirham	-	1,435,845
Qatar Riyal	-	1,160,787
Saudi Arabia Riyal	-	561,072
Oman Riyal	799	11,607
	8,307,280	15,146,930

13 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% (2015: 1.8%-2.45%).

14 Cash and bank balances

	31 December 2016	31 December 2015
Current account balances with banks	114,774	921,343
Cash on hand	355,247	201,221
	470,021	1,122,564

Current account balances with banks are non-profit bearing.

15 Share capital

	31 December 2016	31 December 2015
Authorised		
100,000,000 ordinary shares of 100 fils each (2015: 100,000,000 ordinary shares of 100 fils each)	10,000,000	10,000,000
Issued, subscribed and fully paid-up:		
66,098,760 ordinary shares of 100 fils each (2015: 66,098,760 ordinary shares of 100 fils each)	6,609,876	6,609,876
Treasury shares		
2,767,801 ordinary shares of 100 fils each (2015: 2,384,279 ordinary shares of 100 fils each)	276,781	238,429

Treasury shares

During 2016, 383,522 treasury shares were acquired having nominal value of BD38,352 at rate of BD1.2 for BD461,492 (2015: 2,175,139 shares at nominal value of BD217,515 acquired at rates ranging from BD1.35 to BD1.62 for BD3,453,552) 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 (2015: BD3,236,037) has been adjusted against share premium. The Company holds 2,767,801 (2015: 2,384,279) (4.19% of the total issued and paid-up share capital) as treasury shares as at 31 December 2016 (2015: 3.61% of the total issued and paid-up share capital).

15 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 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%
		66,098,760	100%

31 December 2015	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	3,707,480	5.60%
General public and corporations	Various	57,812,024	87.47%
		66,098,760	100%

- 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 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%
	467	66,098,760	100%

31 December 2015	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	464	30,259,595	45.78%
Between 1% and 5%	24	27,552,429	41.68%
Between 5% and 10%	2	8,286,736	12.54%
	490	66,098,760	100%

15 Share capital (continued)

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

	2016 Number of shares	2015 Number of shares
Dr Esam Abdulla Yusuf Fakhro	3,187,413	3,187,413
Ali Yusuf Ali Ubaydli	262,808	369,176
Mohamed Ebrahim Khalil Kanoo	277,783	277,783
Jalal Mohamed Yusuf Jalal	386,127	386,127
Fareed Yusuf Khalil Almoayed	380,625	380,625
Jehad Yusuf Abdulla Amin	910,466	857,466
Shawqi Ali Yusuf Fakhro	570,044	550,044
	5,975,266	6,008,634

16 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 (2015: 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. As the Company has already met the minimum amount requirement in past, during the year, no transfer was made to this reserve (2015: Nil).

(iv) Charity reserve

This represents the reserve set aside for charity. During the year, BD98,960 was transferred to this reserve (2015: BD116,375).

(v) Retained earnings

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

17 Employees' terminal benefits

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 2016 amounted to BD198,226 (2015: BD145,004).

Expatriate employees

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

	31 December 2016	31 December 2015
At 1 January	237,281	194,102
Accruals for the year	81,869	64,639
Payments during the year	(22,851)	(21,460)
At 31 December	296,299	237,281
Number of staff employed by the Group	500	429

18 Trade and other payables

	31 December 2016	31 December 2015
Trade payables	1,757,583	2,761,810
Accruals	1,374,698	1,653,451
Unclaimed dividends	376,486	409,353
Amounts due to related parties (Note 29)	21,828	15,196
Employees benefit provisions	158,137	133,311
Advance from customers	63,103	45,010
Other payables	79,662	50,956
	3,831,497	5,069,087

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.

19 Bank overdraft

The Group has bank overdraft facilities amounting to BD3,500,000 as at 31 December 2016 (2015: BD 3,500,000) 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 (2015: between 3% and 8.75% per annum) and are repayable on demand. However, as at 31 December 2016, the bank overdraft facility has not been utilised by the Group (2015: BD Nil).

20 Other operating income

	31 December 2016	31 December 2015
Rental income	137,250	144,469
Virtual print fees	110,469	127,956
Management fee	64,170	28,320
Foregin exchange gains - net	18,891	11,681
Vocational training income	14,505	9,025
Profit on sale of property, plant and equipment	4,948	-
Awal car parking collection	-	20,849
Income from distribution of movies	-	81,081
Miscellaneous income	67,893	45,922
	418,126	469,303

21 General and administrative expenses

	31 December 2016	31 December 2015
Staff costs	1,397,875	1,359,727
Director's remuneration and sitting fee	283,000	291,000
Social insurance	171,283	151,348
Rent expenses	131,120	108,899
Maintenance expenses	26,679	32,494
Printing and stationary	89,066	98,184
Donations	75,865	62,077
Professional fee and subscriptions	111,765	25,478
Government fees	94,470	85,144
Vocational training	6,060	35,276
Insurance expenses	11,663	9,354
Other expenses	188,701	140,032
	2,587,547	2,399,013

22 (Loss)/ profit from investments, net

	31 December 2016	31 December 2015
Dividend income	311,735	804,943
Realised (loss)/gain on sale of financial assets at fair value through profit and loss	(859,770)	94,690
Unrealised loss on financial assets at fair value through profit or loss - net (Note 12)	(575,168)	(1,829,094)
Profit from fixed deposits	135,498	22,480
Interest income from bonds and sukuks	27,586	102,926
Gains on sale of investment in joint venture	-	9,888
	(960,119)	(794,167)

23 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 2016	31 December 2015
Net profit attributable to the shareholders	4,869,434	6,310,267
Weighted average number of ordinary shares issued	63,634,614	64,448,126
Basic earnings per share	77fils	98fils

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 63,634,614 net of 2,464,146 weighted average treasury shares. There are no potentially dilutive ordinary shares at 31 December 2016 (2015: Nil), hence the diluted and basic earnings per share are the same.

24 Dividends and directors' remuneration

Dividends

Declared and paid

In accordance with resolutions passed at the Annual General Meeting held on 26 March 2016, cash dividends of 50fils per share for the year 2015 (2014: 50fils per share), amounting to a total cash dividend of BD3,185,725 (2014: BD3,294,481) 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 2016 amounting to BD3,166,548 (2015: BD3,185,725). 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.

Directors' remuneration

Accrued and expensed

An amount of BD170,000 has been accrued and expensed as directors' remuneration in 2016, relating to the year ended 31 December 2016 (2015: BD176,000). Directors' remuneration is expensed in the 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 BD170,000 for the year ended 31 December 2016 (2015: BD176,000). This is subject to the approval of shareholders in the Annual General Meeting.

25 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 500fils per share on 1 December 2005 and at 600fils 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. Total carrying value of interest-free loans (Note 11) granted to employees as at 31 December 2016 amounted to BD319,797 (2015: BD478,997).

26 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

	2016			2015	
	Al Murjan Restaurant Management W.L.L.	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.
Long-term assets	556,577	76,110	8,631,588	81,656	8,976,869
Current assets	51,938	163,589	4,501,911	143,715	4,251,428
	608,515	239,699	13,133,499	225,371	13,228,297
Current liabilities	(174,771)	(25,416)	(2,052,496)	(14,693)	(1,859,272)
Net assets	433,744	214,283	11,081,003	210,678	11,369,026

26 Additional information relating to joint ventures

b) Statement of profit or loss

	2016			2015	
	Al Murjan				
	Restaurant	Saar	Qatar Bahrain	Saar	Qatar Bahrain
	Management	Cinema	International	Cinema	International
	W.L.L.	Complex	Cinema W.L.L.	Complex	Cinema W.L.L.
Operating (loss)/ income	(290,960)	222,558	1,799,756	259,504	3,218,036
Share of net (loss)/ profit for the year	(145,480)	68,993	413,943	80,446	740,147
Included in the above amounts are depreciation and amortization	17,052	15,102	1,042,266	13,830	570,912
Interest income	-	-	8,587	-	12,508

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 2016.

The financial information of joint venture, Al Murjan Restaurant Management W.L.L., is not presented for comparative year as the operations had not commenced as at 31 December 2015.

27 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

27 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	5,876,809	6,110,902	1,407,201	13,394,912
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
Unrealized gain on investment properties				70,505
Loss on investments, net				(960,119)
Finance costs				(83,173)
Net profit				4,869,434

For the year ended 31 December 2015

	Theatre operations	Restaurants/ concession counters	Others	Total
Revenue				
Total external sales	12,864,529	7,345,230	1,514,770	21,724,529
Less: total variable costs	(7,445,512)	(1,690,832)	-	(9,136,344)
Segment results	5,419,017	5,654,398	1,514,770	12,588,185
Less: fixed costs				(4,979,472)
Operating gross profit				7,608,713
Other operating income				469,303
General and administrative expenses				(2,399,013)
Operating profit				5,679,003
Share of profit on joint venture operations				820,593
Unrealised gain on investment properties				674,106
Loss on investments, net				(794,167)
Finance costs				(69,268)
Net profit				6,310,267

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.

28 Commitments

a) Operating lease commitments

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

	31 December 2016	31 December 2015
Not later than one year	1,471,046	1,315,953
Later than one year and not later than five years	5,366,233	5,345,210
Later than five years	1,573,557	2,009,111
	8,410,836	8,670,274

The lease expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 amounted to BD1,549,937 (2015: BD1,414,134).

b) Capital commitments

Capital expenditure contracted for the Awal development project at the consolidated statement of financial position date but not recognised in these consolidated financial statements amounted to BD3,572,360 (2015: BD7,802,253 pertaining to Wadi Al Sail Cinema and head office expansion project).

29 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. Further, there are no loans due to or from any of the directors of the Group.

29 Transactions and balances with related parties (continued)

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

	Related party relationship	Amount due from (Note 11) 31 December 2016	31 December 2015	Amount due to (Note 18) 31 December 2016	31 December 2015
Saar Cinema Complex	Joint venture	-	-	9,126	6,629
Qatar Bahrain International Cinema W.L.L.	Joint venture	21,235	3,732	-	-
Al Murjan Restaurant Management W.L.L.	Joint venture	11,518	-	-	-
Various entities*	Common directorship	-	1,732	12,702	8,567
		32,753	5,464	21,828	15,196

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

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

A summary of transactions with related parties is as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
<u>Saar Cinema Complex</u>		
Direct expenses	255,892	294,629
Salaries	62,917	63,704
Management fees	6,000	6,000
Other expenses	63,530	51,959
<u>Qatar Bahrain International Cinema W.L.L.</u>		
Salaries	36,943	49,133
Other expenses	48,910	24,419
Management fees	58,170	22,320
Concession counter purchases	31,928	66,358
<u>Al Murjan Restaurant Management W.L.L.</u>		
Salaries	4,998	-
Other expenses	4,788	-
<u>Entities under common directorship</u>		
Direct expenses	82,532	71,780
Operating income from advertisement	5,000	2,000
Other expenses	347,793	259,771
Rent expenses for corporate office	118,169	106,248

30 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 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</i>		<i>Financial liabilities at amortised cost</i>
Trade and other payables, net of employee costs		3,673,360
Total financial liabilities		3,673,360

30 Financial assets and liabilities and risk management (continued)

A summary of the financial instruments held by category is provided below as at 31 December 2015:

<i>Financial assets</i>	<i>Fair value through profit or loss</i>	<i>Amortised cost</i>
Trade and other receivables, excluding prepayments	-	3,334,760
Financial assets at fair value through profit or loss	15,146,930	-
Short-term deposits	-	2,600,000
Cash and bank balances	-	1,122,564
Total financial assets	15,146,930	7,057,324
<i>Financial liabilities</i>		<i>Financial liabilities at amortised cost</i>
Trade and other payables, net of employee costs		4,935,776
Total financial liabilities		4,935,776

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.

30 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 sukuks 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%	+/- 415,364
Financial assets at fair value through profit or loss	+/-10%	+/- 830,728

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 2016.

30 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 2016	Fair value at 31 December 2015	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	7,758,015	7,687,510	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	6,065,112	12,843,914	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted equity investments/ managed funds	1,993,909	1,912,984	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 Sukuks	248,259	390,032	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 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.

	Unquoted equity investments/ managed funds
At 31 December 2014	1,947,390
Additions during the year	136,743
Disposals during the year	(171,149)
At 31 December 2015	1,912,984

30 Financial assets and liabilities and risk management (continued)

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 2016 and 2015.

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 2016, gearing ratio is not required to be calculated and disclosed.

31 Proposed sale of business operations

The Group has entered in to an agreement with Majid Al Futtaim Cinemas Bahrain Co. S.P.C. ("MAF") on 27 September 2016 to form a new company, Vox Cineco Cinemas Company W.L.L., in which the entire business of Bahrain City Centre will be transferred and the Group will sell 50% of its stake in the business and transfer control of this business in favour of MAF. This agreement was endorsed by the shareholders in an extraordinary general meeting held on 7 November 2016. Management of the Group has also signed, subsequently in the month of December 2016; a memorandum of understanding with the MAF to revise certain clauses of the original contract signed on 27 September 2016.

As at 31 December 2016, all closing conditions as mutually agreed by the parties in the agreement were not completed and hence transaction has not been finalised. The agreement will be terminated if the transaction is not finalised by 31 March 2017.

32 Events after reporting date

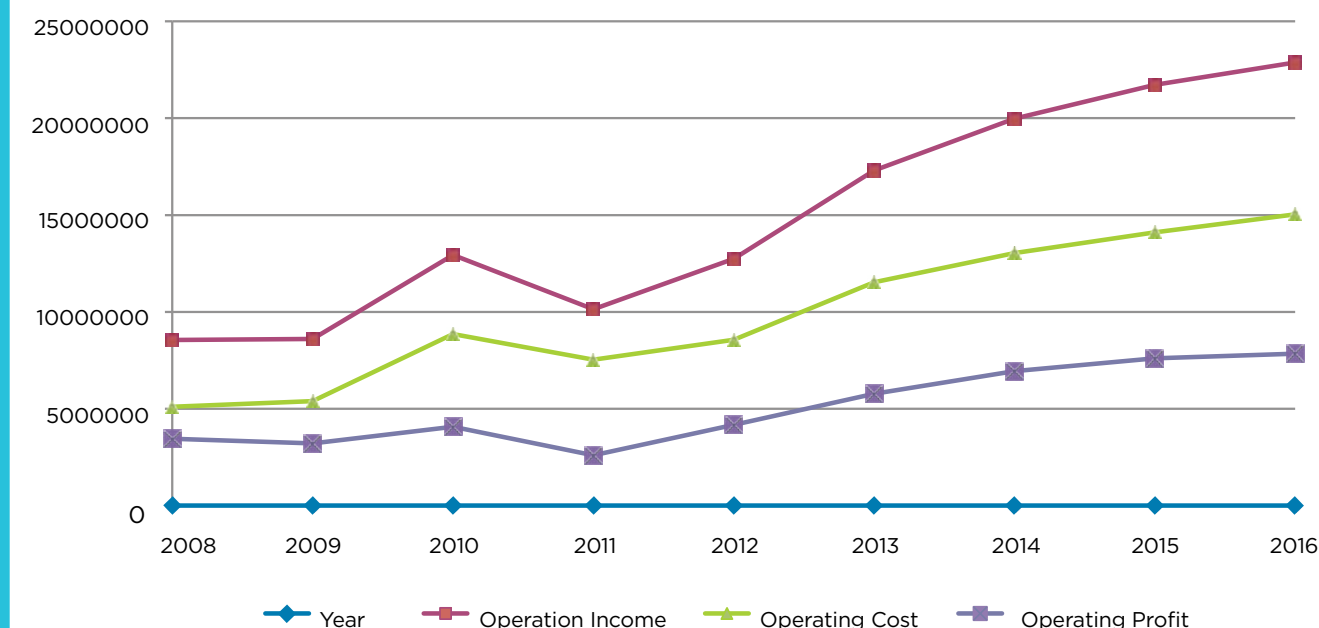
There were no significant events subsequent to 31 December 2016 and occurring before the date of signing of the consolidated financial statements that would have a significant impact on these consolidated financial statements.

33 Comparative figures

Certain prior year amounts have been regrouped to conform to the presentation in the current year. Such regroupings do not affect previously reported net profit, other comprehensive income or total equity.

GRAPHS

General Trend of Operating Income, Cost & Profit



Yearly Dividend Chart from year 1988 to year 2016

