

Bahrain Family Leisure Company B.S.C.

Financial statements for the
year ended 31 December 2018

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Financial statements for the year ended 31 December 2018

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Bahrain Family Leisure Company B.S.C.
Administration and contact details as at 31 December 2018

Commercial registration no.	32196-01 obtained on 13 July 1994 32196-04 obtained on 5 August 2000 32196-05 obtained on 27 September 2001 32196-06 obtained on 21 November 2004 32196-07 obtained on 25 March 2006 32196-13 obtained on 21 August 2011 32196-14 obtained on 9 September 2014	
Directors	Mr. Abdul Latif Khalid Al Aujan Mr. Garfield Jones Mr. Adel Salman Kanoo Mr. Bashar Mohammed Ali Alhasan Mr. Sharif Mohammed Ahmadi Mr. Ron Peters Mr. Suresh Surana	- Chairman - Vice-Chairman and Managing Director - Director - Director - Director - Director - Director
Nominating and remuneration committees	Mr. Abdul Latif Khalid Al Aujan Mr. Adel Salman Kanoo Mr. Sharif Mohammed Ahmadi Mr. Suresh Surana	- Chairman
Audit committee	Mr. Suresh Surana Mr. Bashar Mohammed Ali Alhassan Mr. Garfield Jones	- Chairman
Executive Committee	Mr. Garfield Jones Mr. Adel Salman Kanoo Mr. Sharif Mohammed Ahmadi Mr. Ron Peters	- Chairman
Corporate governance committee	Mr. Adel Salman Kanoo Mr. Sharif Mohammed Ahmadi Mr. Suresh Surana Mr. Ron Peters	- Chairman
Registered office	Gulf Executive Offices 10 th Floor, Block No. 338 Adliya, PO Box 11612 Manama Kingdom of Bahrain	
Registrars	Karvy Computershare W.L.L. PO Box 514 Manama Kingdom of Bahrain	
Bankers	National Bank of Bahrain Bank of Bahrain and Kuwait	
Auditors	BDO 17 th Floor, Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

Bahrain Family Leisure Company B.S.C.
Directors' report for the year ended 31 December 2018

Dear Shareholders

The Board of Directors have pleasure in submitting the audited financial statements of Bahrain Family Leisure Company B.S.C. ("the Company" or "BFLC") for the year ended 31 December 2018.

Principal activities and review of business developments

The principal activities of the Company include operating restaurants, providing services related to family entertainment, supply of amusement related equipment and investing in businesses with similar objectives to those of the Company.

The results for the year are set out on pages 18 and 19 of the financial statements.

Dividend

The Board of Directors of the Company do not propose any dividend for the year ended 31 December 2018 (2017: BD360,000).

Representation and audit

The Company's activities for the year ended 31 December 2018 have been conducted in accordance with the Bahrain Commercial Companies Law, Decree Number 21 of 2001, and other relevant statutes of the Kingdom of Bahrain.

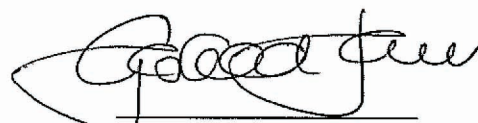
The Company has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors, BDO.

The Board of Directors propose to appoint BDO as external auditors of the Company for the next financial year; who have expressed their willingness to continue in the office for the next financial year.

Signed on behalf of the Board:



Abdul Latif Khalid Al Aujan
Chairman



Garfield Jones
Vice-Chairman and
Managing Director

13 February 2019

Independent auditors' report to the shareholders of Bahrain Family Leisure Company B.S.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bahrain Family Leisure Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

Revenue recognition

Revenue represents sale of food, beverages, entertainment and other miscellaneous income. Sales are recognised when the controls of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Our procedures included considering appropriateness of revenue recognition as per the Company policy including those relating to discounts and assessing compliance with the policies in terms of applicable accounting standards. We tested effectiveness of internal controls implemented by the Company on the revenue cycle. We assessed sales transactions taking place at either side of the statement of financial position date to assess whether the revenue was recognised in the correct period. We also performed analytical review on revenue based on trends in monthly sales and profit margins.

Financial assets at fair value through profit or loss

The Company has quoted investments amounting to BD5,730,662 disclosed in Note 7 which form a material balance in the financial statements of the Company and are subject to change in the fair value. This could have significant impact on the Company's results if assets are misstated.

Our audit procedures included the testing of investments acquired and sold during the year on a sample basis, testing of ownership and classification and testing of fair value of the quoted investments with the listed prices in the relevant stock exchange.

Independent auditors' report to the shareholders of Bahrain Family Leisure Company B.S.C. (continued)

Report on the audit of the financial statements (continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the Directors' report and Corporate Governance report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 financial statements

Management is responsible for the preparation and fair presentation of these 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 financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditors' report to the shareholders of Bahrain Family Leisure Company B.S.C. (continued)

Report on the audit of the financial statements (continued)

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

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

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

**Independent auditors' report to the shareholders of
Bahrain Family Leisure Company B.S.C. (continued)**

Report on other legal and regulatory requirements

(A) As required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001, 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 and has maintained proper books of account and the financial statements are in agreement therewith; and
- (3) the financial information included in the Directors' report is consistent with the books of account of the Company.

(B) As required by the Order No. (19) of 2018 issued on 29 March 2018 in respect of Article 8 of section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that:

- (1) the Company has appointed a corporate governance officer; and
- (2) the Company has a Board approval written guidance and procedures for corporate governance.

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 2018.

BDO

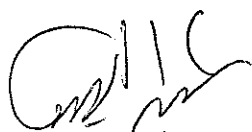
Manama, Kingdom of Bahrain
13 February 2019



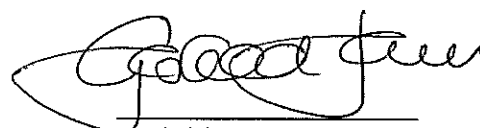
Bahrain Family Leisure Company B.S.C.
Statement of financial position as at 31 December 2018
(Expressed in Bahrain Dinars)

	Notes	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	5	512,969	545,360
Intangible assets	6	23,068	23,041
Financial assets at fair value through profit or loss	7	<u>5,730,662</u>	<u>6,813,529</u>
		<u>6,266,699</u>	<u>7,381,930</u>
Current assets			
Inventories	8	61,908	34,553
Trade and other receivables	9	122,732	101,154
Cash and cash equivalents	10	<u>172,372</u>	<u>502,235</u>
		<u>357,012</u>	<u>637,942</u>
Total assets		<u>6,623,711</u>	<u>8,019,872</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	4,000,000	4,000,000
Statutory reserve	12	794,927	794,927
Capital reserve	13	68,245	68,245
Retained earnings		1,534,030	2,932,511
Treasury shares	11	<u>(400,000)</u>	<u>(400,000)</u>
Total equity		<u>5,997,202</u>	<u>7,395,683</u>
Non-current liabilities			
Employees' terminal benefits	14	<u>85,869</u>	<u>74,145</u>
Current liabilities			
Trade and other payables	15	<u>540,640</u>	<u>550,044</u>
Total liabilities		<u>626,509</u>	<u>624,189</u>
Total equity and liabilities		<u>6,623,711</u>	<u>8,019,872</u>

These financial statements, set out on pages 8 to 31, were approved and authorised for issue by the Board of Directors on 13 February 2019 and signed on their behalf by:



Abdul Latif Khalid Al Aujan
Chairman

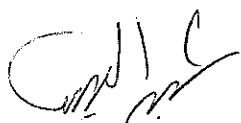


Garfield Jones
Vice-Chairman and
Managing Director

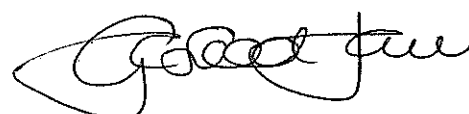
Bahrain Family Leisure Company B.S.C.
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2018
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>Year ended 31 December 2018</u>	<u>Year ended 31 December 2017</u>
Operating income, net	16	1,429,801	1,297,173
Operating costs	17	<u>(1,336,074)</u>	<u>(1,137,477)</u>
Operating gross profit		<u>93,727</u>	<u>159,696</u>
Expenses			
General and administrative expenses		(199,646)	(186,644)
Selling and advertising expenses		(84,323)	(63,260)
Directors' fees		<u>(83,100)</u>	<u>(33,750)</u>
Total expenses		<u>(367,069)</u>	<u>(283,654)</u>
Loss before investment and other income		(273,342)	(123,958)
Investment and other (loss)/income	18	<u>(765,139)</u>	<u>1,141,835</u>
Net (loss)/profit and other comprehensive (loss)/income for the year		<u>(1,038,481)</u>	<u>1,017,877</u>
Basic and diluted (loss)/earnings per share	19	<u>Fils (28.85)</u>	<u>Fils 28.27</u>

These financial statements, set out on pages 8 to 31, were approved and authorised for issue by the Board of Directors on 13 February 2019 and signed on their behalf by:



Abdul Latif Khalid Al Aujan
Chairman



Garfield Jones
Vice-Chairman and
Managing Director

Bahrain Family Leisure Company B.S.C.
Statement of changes in shareholders' equity for the year ended 31 December 2018
(Expressed in Bahrain Dinars)

	Share capital	Statutory reserve	Capital reserve	Retained earnings	Treasury shares	Total
At 31 December 2016	4,000,000	693,139	68,245	2,286,422	(400,000)	6,647,806
Net profit and other comprehensive income for the year	-	-	-	1,017,877	-	1,017,877
Transfer to statutory reserve (Note 12)	-	101,788	-	(101,788)	-	-
Dividend for the year 2016 (Note 20)	-	-	-	(270,000)	-	(270,000)
At 31 December 2017	4,000,000	794,927	68,245	2,932,511	(400,000)	7,395,683
Net loss and other comprehensive loss for the year	-	-	-	(1,038,481)	-	(1,038,481)
Dividend for the year 2017 (Note 20)	-	-	-	(360,000)	-	(360,000)
At 31 December 2018	4,000,000	794,927	68,245	1,534,030	(400,000)	5,997,202

Bahrain Family Leisure Company B.S.C.
Statement of cash flows for the year ended 31 December 2018
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Operating activities			
Net (loss)/profit for the year		(1,038,481)	1,017,877
Adjustments for:			
Depreciation on property, plant and equipment	5	163,874	117,993
Unrealised fair value loss/ (gain) on financial assets at fair value through profit or loss	7	1,086,878	(904,288)
Amortisation of intangible assets	6	3,473	3,699
Interest income	18	(721)	(3,390)
Dividend income	18	(286,320)	(229,046)
Loss/ (profit) on disposal of property, plant and equipment	18	637	(4,440)
Changes in operating assets and liabilities:			
Inventories		(27,355)	(10,623)
Prepayments and other receivables		(41,239)	49,219
Trade and other payables		(62,843)	84,016
Employees' terminal benefits, net		<u>11,724</u>	<u>10,823</u>
Net cash (used in)/provided by operating activities		<u>(190,373)</u>	<u>131,840</u>
Investing activities			
Purchase of property, plant and equipment	5	(132,121)	(312,924)
Purchase of intangible assets	6	(3,500)	(22,723)
Additions in financial assets at fair value through profit and loss account	7	(4,011)	-
Proceeds from disposal of property, plant and equipment		-	4,440
Interest received	18	721	3,390
Dividend received	18	<u>286,320</u>	<u>229,046</u>
Net cash provided by/ (used in) investing activities		<u>147,409</u>	<u>(98,771)</u>
Financing activities			
Dividends paid		<u>(286,899)</u>	<u>(165,350)</u>
Net cash used in financing activities		<u>(286,899)</u>	<u>(165,350)</u>
Net decrease in cash and cash equivalents		(329,863)	(132,281)
Cash and cash equivalents, beginning of the year		<u>502,235</u>	<u>634,516</u>
Cash and cash equivalents, end of the year	10	<u><u>172,372</u></u>	<u><u>502,235</u></u>

1 Organisation and activities

Bahrain Family Leisure Company B.S.C. ("the Company") is a Bahraini public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain. The Company obtained its commercial registration number 32196 on 13 July 1994.

The principal activities of the Company are operating restaurants, providing services related to family entertainment, supply of amusement related equipment and investing in businesses with similar objectives to those of the Company.

Until 2011, the Company operated two franchise restaurants, one under the name of "Ponderosa Steakhouse" and other under the name of "Bennigan's Restaurant". In 2012, the Company established a new restaurant under the name of "Cucina Italiana" and also started catering service under the name "Kazbah Catering". In 2014, "Ponderosa Steakhouse" was closed and a new restaurant was opened under the name of "Bayti". In 2015, "Bayti" operations have been discontinued. In 2017, the Company has opened a new restaurant "Bennigan's Restaurant" (Amwaj). In 2018, the Company has opened new restaurant under the name of "Bayti" in Oasis mall Juffair.

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

Name and status of the divisions:

<u>Name</u>	<u>Commercial registration number</u>	<u>Status</u>
Bahrain Family Leisure Company	32196-01	Active
Kazbah	32196-04	Active
Ponderosa steak house	32196-05	Active
Kids Fun	32196-06	Active
Bennigan's	32196-07	Active
Cucina Italiana	32196-13	Active
Bayti	32196-14	Active

2 Basis of preparation

Statement of compliance

The 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 in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse.

Basis of presentation

The financial statements have been prepared using the going concern assumption under the historical cost convention except for investments classified as financial assets at fair value through profit or loss which are recorded at their fair market values at the statement of financial position date.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The functional and presentation currency of the Company is Bahrain Dinars (BD).

2 Basis of preparation (continued)

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

Improvements/amendments to IFRS issued in 2014/2016 and 2015/2017 cycles contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's annual audited financial statements beginning on or after 1 January 2018 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations effective and adopted in 2018

The following new standards, amendments to existing standards or interpretations to published standards is mandatory for the first time for the financial year beginning 1 January 2018 and were adopted in the preparation of these financial statements:

<u>Standard or interpretation</u>	<u>Title</u>	Effective for annual periods beginning
		<u>on or after</u>
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

IFRS 9 - "Financial Instruments"

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3. In accordance with the exemptions available as per the transitional provisions of IFRS 9, the comparative figures have not been restated and adoption of this standard had no significant impact on the financial statements.

IFRS 15 - "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18.

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

Upon transition to IFRS 15 on 1 January 2018, there was no impact on the Company's financial position and results of operations.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2018 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2018 or subsequent periods, but is not relevant to the Company's operations:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 28	Investments in associates	1 January 2018
IAS 40	Investment property	1 January 2018
IFRS 1	First-time adoption of International Financial Reporting Standards	1 January 2018
IFRS 2	Share-based payment	1 January 2018
IFRS 4	Insurance contracts	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018

Standards, amendments and interpretations issued but not yet effective in 2018

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial period ended 31 December 2018. They have not been adopted in preparing the financial statements for the year ended 31 December 2018 and will or may have an effect on the entity's future financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 12	Income taxes	1 January 2019
IAS 19	Employee benefits	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IAS 28	Investments in Associates and Joint Ventures	1 January 2019
IFRS 9	Financial instruments	1 January 2019
IFRS 3	Business combinations	1 January 2019
IFRS 11	Joint arrangements	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

IFRS 16 Leases

Adoption of IFRS 16 will result in the Company recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Company does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Company is working towards implementation of IFRS 16 and intends to adopt this standard from 1 January 2019 and therefore will only recognise leases on balance sheet as at 1 January 2019. At 31 December 2018, operating lease commitments under existing accounting standard IAS 17 amounted to BD1,088,164, which may be different on adoption of IFRS 16 for the year ended 31 December 2019.

Instead of recognising an operating expense for its operating lease arrangements, the Company will recognise finance cost on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its operating lease cost.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective in 2018 (continued)

There would have been no change in the operational results of the Company for the year ended 31 December 2018 had the Company early adopted any of the above standards applicable to the Company except for IFRS 16, the impact of which is being assessed above by the Company.

Early adoption of amendments or standards in 2018

The Company did not early-adopt any new or amended standards in 2018.

3 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, except for the changes arising due to adoption of IFRS 9 and 15.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

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

Buildings on leasehold land	20 years
Kitchen equipment	3 - 7 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written-down immediately to its recoverable amount.

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

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

Intangible assets

Intangible assets consist of fees paid for the acquisition of franchise rights and area development costs. The intangible assets with a finite useful life are capitalised and amortised using the straight-line method over the term of the franchise.

The carrying value of franchise rights is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

3 Significant accounting policies (continued)

Financial assets

The Company classifies its financial assets in the following measurement categories:

1. Financial assets at fair value through profit or loss (FVTPL), and
2. Financial assets at amortised cost.

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

Financial assets are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition of the financial asset except transaction cost on financial instruments at FVTPL are not included in the amount at which the instrument is initially measured, instead they are immediately recognised in profit or loss. Equity and debt instruments are measured at fair value and all changes in fair value are recognised in the statement of profit or loss under IFRS 9.

Financial assets at amortised cost

Financial assets carried at amortised cost are initially recognised at fair value plus transaction cost that are directly attributable to their acquisition or issue and subsequently carried at amortised cost using the effective interest rate method less, provision for impairment. 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 Company.

Cash and cash equivalent

Cash and cash equivalent are recorded at amortised cost in the financial statements less expected credit loss. Cash and cash equivalent comprise of cash on hand and bank balances which are subject to insignificant risk of fluctuation in its realisable value.

3 Significant accounting policies (continued)

Financial liabilities

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

Trade and other payables

Trade and other payables are stated at their amortised cost.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which is determined on the first in first out 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 the selling price in the ordinary course of business net of selling expenses. Where necessary, an allowance is made for obsolete, slow-moving and defective inventories. The stock is counted and verified on a monthly basis. The differences, if any, are updated in the system. The old/perishable items are written off on a periodic 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.

Employees' terminal benefits

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 Company 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.

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 Company 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 Company's contributions are charged to the statement of profit or loss and other comprehensive income in the year to which they relate. In respect of this plan, the Company 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 Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Company accrues for its liability in this respect on an annual basis.

3 Significant accounting policies (continued)

Revenue recognition under IFRS 15

a. Sale of Goods

Sale represents sale of food, beverages, entertainment and other miscellaneous income. The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

b. Services income

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Determining the transaction price

The Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing on the dates of the transactions. Gains and losses resulting 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 statement of profit or loss and other comprehensive income. Non monetary items measured at fair value in a 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 the transaction.

4 Critical accounting estimates and judgments

Preparation of the financial statements in accordance with IFRS requires 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 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 and intangible assets;
- fair value measurement;
- provisions;
- going concern; and
- contingencies.

4 Critical accounting estimates and judgments (continued)

Economic useful life of property, plant and equipment and intangible assets

Property, plant and equipment and Intangible assets are depreciated or amortised over their economic useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue or bring economic benefit to the Company. The economic useful lives are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of profit or loss and other comprehensive income in specific periods.

Fair value measurement

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

The fair value measurement of the Company'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. Transfers of items between levels are recognised in the period they occur. The Company has only one category of financial assets which is carried at fair value on a recurring basis. Disclosure relating to fair value hierarchy and basis of measurement is included in Note 24.

Provisions

The Company creates provisions for impaired trade and other receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2018, in the opinion of the Company's management, no provision is required towards impaired trade and other receivables (2017: BDNil). Management bases its estimate on current overall economic conditions, ageing of the other 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 financial statements.

The Company also creates provision for obsolete and slow-moving inventories. At 31 December 2018, no provision is required for the obsolete and slow-moving inventories (2017: BDNil). Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the period.

4 Critical accounting estimates and judgments (continued)

Going concern

The management of the Company 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. In addition, the shareholders of the Company ensure that they provide adequate financial support to fund the requirements of the Company to ensure the going concern status of the Company.

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.

5 Property, plant and equipment

	Buildings on leasehold land	Kitchen equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
Cost					
At 31 December 2016	1,100,288	554,774	705,884	67,545	2,428,491
Additions during the year	-	46,631	264,553	1,740	312,924
Disposals during the year	-	-	(66,017)	(8,182)	(74,199)
At 31 December 2017	1,100,288	601,405	904,420	61,103	2,667,216
Additions during the year	-	31,125	100,996	-	132,121
Written-off during the year	-	(131,631)	(4,250)	-	(135,881)
At 31 December 2018	<u>1,100,288</u>	<u>500,899</u>	<u>1,001,166</u>	<u>61,103</u>	<u>2,663,456</u>
Accumulated depreciation					
At 31 December 2016	885,369	494,614	639,384	58,695	2,078,062
Charge for the year	48,351	18,091	46,488	5,063	117,993
On disposals	-	-	(66,017)	(8,182)	(74,199)
At 31 December 2017	933,720	512,705	619,855	55,576	2,121,856
Charge for the year	51,074	25,251	84,351	3,198	163,874
On written-off	-	(131,631)	(3,612)	-	(135,243)
At 31 December 2018	<u>984,794</u>	<u>406,325</u>	<u>700,594</u>	<u>58,774</u>	<u>2,150,487</u>
Net book value					
At 31 December 2018	<u>115,494</u>	<u>94,574</u>	<u>300,572</u>	<u>2,329</u>	<u>512,969</u>
At 31 December 2017	<u>166,568</u>	<u>88,700</u>	<u>284,565</u>	<u>5,527</u>	<u>545,360</u>

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5 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is charged in the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December <u>2018</u>	Year ended 31 December <u>2017</u>
Operating costs (Note 17)	159,806	110,553
Non-operating expenses	<u>4,068</u>	<u>7,440</u>
	<u>163,874</u>	<u>117,993</u>

Operating costs represent the depreciation on the property, plant and equipment of the restaurants.

The Company operates from premises leased at a monthly rent of BD18,730 (2017: BD14,431) per month.

6 Intangible assets

	31 December <u>2018</u>	31 December <u>2017</u>
Cost		
Opening balance	286,416	263,693
Additions during the year	<u>3,500</u>	<u>22,723</u>
Closing balance	<u>289,916</u>	<u>286,416</u>
Accumulated amortization		
Opening balance	263,375	259,676
Amortisation charge for the year	<u>3,473</u>	<u>3,699</u>
Closing balance	<u>266,848</u>	<u>263,375</u>
Net book value	<u>23,068</u>	<u>23,041</u>
	31 December <u>2018</u>	31 December <u>2017</u>
Franchise fee	17,639	19,635
Computer software	<u>5,429</u>	<u>3,406</u>
	<u>23,068</u>	<u>23,041</u>

Intangible assets include franchise fees paid for the brand Bennigan's and computer software.

The carrying amount of intangible assets are reviewed annually and adjusted for impairment where considered necessary.

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7 Financial assets at fair value through profit or loss account

	31 December 2018	31 December 2017
Opening balance	6,813,529	5,909,241
Unrealised fair value (losses)/gains	(1,086,878)	904,288
Additions	<u>4,011</u>	<u>-</u>
Closing balance	<u>5,730,662</u>	<u>6,813,529</u>

All the financial assets are denominated in Bahrain dinars and are considered non-current.

Financial assets at fair value through profit or loss account comprise equity securities listed on the stock exchange and are stated at fair value based on their quoted market price at the close of business on 31 December 2018.

8 Inventories

	31 December 2018	31 December 2017
Food	9,132	9,578
Beverage	47,309	18,911
Others	<u>5,467</u>	<u>6,064</u>
	<u>61,908</u>	<u>34,553</u>

9 Trade and other receivables

	31 December 2018	31 December 2017
Trade receivables	21,297	13,890
Other receivables	5,792	7,352
Prepayments	74,055	74,306
Staff advances	1,243	356
Deposits	<u>20,345</u>	<u>5,250</u>
	<u>122,732</u>	<u>101,154</u>

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of IFRS 9 does not have any material impact on the Company's financial statements.

The Company's prepayments and other receivables are denominated in Bahrain Dinars.

In the opinion of the Company's management, the fair values of the other receivables are not expected to be significantly different from their carrying values as at 31 December 2018.

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10 Cash and cash equivalents

	31 December 2018	31 December 2017
Call account balance*	160,516	476,223
Current account balance**	10,056	24,112
Cash on hand	<u>1,800</u>	<u>1,900</u>
Cash and cash equivalents	<u>172,372</u>	<u>502,235</u>

* The call account balances bear interest at an effective rate ranging from 0.15% to 1.25% (2017: 0.25% to 0.75%) per annum.

** The current account balances with banks are non-profit bearing.

11 Share capital

	31 December 2018	31 December 2017
Authorised		
200,000,000 (2017: 200,000,000) ordinary shares of 100 fils each	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid-up		
40,000,000 (2017: 40,000,000) ordinary shares of 100 fils each	<u>4,000,000</u>	<u>4,000,000</u>

Treasury shares

Treasury shares were acquired consistent with the Ministry of Industry and Commerce's approval to 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. The difference between the nominal value of the acquired shares, and the purchase price, was credited to the capital reserve (Note 13).

Additional information on shareholding pattern

At 31 December, the names and nationalities of the major shareholders and the number of shares held in excess of 5% or more of the outstanding shares are as follows:

<u>Major shareholders</u>	<u>Nationality</u>	<u>2018</u>		<u>2017</u>	
		<u>Number of shares</u>	<u>Percentage of shareholding interest</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
Others	Various	24,502,500	61.26%	24,602,500	61.51%
Gulf Hotels Group B.S.C.	Bahraini	10,100,000	25.25%	9,700,000	24.25%
Directors	Bahraini	<u>1,397,500</u>	<u>3.49%</u>	<u>1,697,500</u>	<u>4.24%</u>
		36,000,000	90.00%	36,000,000	90.00%
Treasury shares		<u>4,000,000</u>	<u>10.00%</u>	<u>4,000,000</u>	<u>10.00%</u>
		<u>40,000,000</u>	<u>100.00%</u>	<u>40,000,000</u>	<u>100.00%</u>

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11 Share capital (continued)

The Company has only one class of equity shares and the shareholders have equal voting rights.

The distribution pattern of the issued share capital, setting out the number of shareholders and the percentages broken down into the following categories are as follows:

	Number of shares		Number of shareholders		Percentage of total outstanding shares	
	2018	2017	2018	2017	2018	2017
Directors	1,397,500	1,697,500	4	7	3.49%	4.24%
Less than 1%	16,286,996	16,386,996	925	926	40.72%	40.97%
1% up to less than 10%	8,215,504	8,215,504	11	11	20.54%	20.54%
More than 20%	10,100,000	9,700,000	1	1	25.25%	24.25%
	36,000,000	36,000,000	941	945	90.00%	90.00%
Treasury shares	4,000,000	4,000,000	-	-	10.00%	10.00%
	<u>40,000,000</u>	<u>40,000,000</u>	<u>941</u>	<u>945</u>	<u>100.00%</u>	<u>100.00%</u>

Details of directors' interests in the issued share capital of the Company are as follows:

	Number of shares	
	2018	2017
Abdul Latif Khalid Al Aujan	1,000,000	1,000,000
Adel Salman Kanoo	192,500	192,500
Bashar Mohammed Ali Alhassan	100,000	100,000
Sharif Mohammed Ahmadi	105,000	105,000
Garfield Jones *	-	100,000
Suresh Surana *	-	100,000
Aqeel Raees	-	100,000
	<u>1,397,500</u>	<u>1,697,500</u>

*Nominee directors of Gulf Hotels Group B.S.C.

12 Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law Decree No. 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. The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law. During the year, the Company has incurred a loss, no transfer was made to the statutory reserve for the year ended 31 December 2018 (2017: BD101,788).

13 Capital reserve

Capital reserve represents the excess of nominal value of the shares over its purchase price of the treasury shares acquired (Note 11).

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14 Employees' terminal benefits

Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2018 amounted to BD4,042 (2017: BD3,376).

Expatriate employees

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

	31 December <u>2018</u>	31 December <u>2017</u>
Opening balance	74,145	63,322
Accruals for the year	19,816	19,033
Payments during the year	<u>(8,092)</u>	<u>(8,210)</u>
Closing balance	<u>85,869</u>	<u>74,145</u>
The number of staff employed by the Company	<u>99</u>	<u>102</u>

15 Trade and other payables

	31 December <u>2018</u>	31 December <u>2017</u>
Trade payables	157,672	116,473
Amounts due to related parties (Note 22)	4,717	3,011
Unclaimed dividends (Note 10 and breakdown below)	172,491	152,832
Accruals and other payables	164,131	237,624
Provision for leave salary and air passage	<u>41,629</u>	<u>40,104</u>
	<u>540,640</u>	<u>550,044</u>

Trade payables are denominated in Bahraini Dinars and are normally settled within 60 days of the suppliers' invoice date.

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

In the opinion of the Company's management, the fair values of the trade and other payables approximate their carrying values.

A year wise break-down of the unclaimed dividends is as follows:

<u>Relating to the year</u>	31 December <u>2018</u>	31 December <u>2017</u>
2000	1,538	1,575
2001	1,280	1,382
2005	3,251	3,345
2008	10,547	10,825
2010	11,362	13,276
2012	13,841	17,779
2016	57,571	104,650
2017	<u>73,101</u>	<u>-</u>
	<u>172,491</u>	<u>152,832</u>

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16 Operating income

	Year ended 31 December 2018	Year ended 31 December 2017
Food sales	657,875	588,529
Beverages sales	682,045	629,427
Services charges	89,881	78,786
Toy machines sales	-	431
	<u>1,429,801</u>	<u>1,297,173</u>

17 Operating costs

	Year ended 31 December 2018	Year ended 31 December 2017
Staff costs	404,754	356,226
Food costs	142,242	132,832
Beverages costs	201,209	203,636
Depreciation of property, plant and equipment (Note 5)	159,806	110,553
Rent Expense	202,662	132,477
Other operating costs	<u>225,401</u>	<u>201,753</u>
	<u>1,336,074</u>	<u>1,137,477</u>

18 Investment and other (loss)/ income

	Year ended 31 December 2018	Year ended 31 December 2017
Unrealised fair value (loss)/gain on financial assets at fair value through profit or loss account (Note 7)	(1,086,878)	904,288
Dividend income	286,320	229,046
Interest income	721	3,390
(Loss)/profit on disposal of property, plant and equipment	(637)	4,440
Miscellaneous income	<u>35,335</u>	<u>671</u>
	<u>(765,139)</u>	<u>1,141,835</u>

19 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit or loss attributable to the shareholders by the weighted average number of ordinary shares in issue during the year, excluding the treasury shares purchased and held by the Company.

	Year ended 31 December 2018	Year ended 31 December 2017
Net (loss)/profit attributable to the shareholders	<u>(1,038,481)</u>	<u>1,017,877</u>
Weighted average number of ordinary shares	<u>36,000,000</u>	<u>36,000,000</u>
Basic and diluted (loss)/earnings per share	<u>Fils (28.85)</u>	<u>Fils 28.27</u>

The Company does not have any potentially dilutive ordinary shares. Accordingly, the diluted earnings per share and basic earnings per share are identical.

20 Dividend

Declared and paid

A dividend of BD360,000 representing 10% of the total issued and fully paid-up share capital (net of treasury shares) of the Company for the year ended 31 December 2017 (2017: BD270,000 for the year ended 31 December 2016) was approved by the shareholders in the Annual General Meeting of the shareholders held on 15 March 2018, declared and subsequently paid in 2018.

Proposed by the Board of Directors

The Board of Directors do not propose to pay any further dividends to the shareholders for the year ended 31 December 2018 (2017: BD360,000). This is subject to the approval of shareholders in the annual general meeting.

21 Commitments

a) Operating lease commitments

The future aggregate minimum lease commitments under non-cancellable operating leases (Note 5) are as follows:

	31 December 2018	31 December 2017
Not later than 1 year	224,761	173,177
Later than 1 year but not later than 5 years	725,023	678,019
Later than 5 years	<u>138,380</u>	<u>310,970</u>
	<u>1,088,164</u>	<u>1,162,166</u>

b) Capital commitments

There are no capital commitments contracted for at the statement of financial position date (2017: BDNil).

22 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 the major shareholders, directors, key management personnel and their close family members and such other companies over which the Company or its major shareholders, directors, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorised by the management and are on arm's length basis.

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22 Transactions and balances with related parties (continued)

Transactions with related parties are as follows:

<u>Related party</u>	<u>Related party relationship</u>	<u>Type of transaction</u>	<u>Year ended 31 December 2018</u>	<u>Year ended 31 December 2017</u>
Directors	Directors	Attendance fees for attending Board meetings Directors remuneration*	27,650 <u>55,450</u> <u>83,100</u>	33,750 <u>-</u> <u>33,750</u>
Key management** personnel	Key management personnel	Salaries and other short-term benefits	58,216	58,216
Gulf Hotel Group	Shareholder	AGM meeting hall rent etc. Staff expenses	1,188 3,929	1,214 276
Abdul Latif Al Aujan Food International	Common Shareholder	Purchase of food items	16,218	12,178
Bahrain Gas W.L.L.	Common Shareholder	Purchase of cooking gas	6,533	4,176

* An amount of BD55,400 has been accrued and expensed as directors' remuneration in 2018, relating to the year ended 31 December 2017.

** Key management personnel are those staff members who have authority and responsibility for planning, directing and controlling the activities of the Company.

A summary of related party balances is as follows:

	<u>Related party relationship</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
<i>Amounts due to related parties (Note 15)</i>			
Gulf Hotels Group B.S.C.	Shareholder Common	254	297
Abul Latif Al Aujan Food International	Shareholder Common	4,072	2,164
Bahrain Gas W.L.L.	Shareholder	<u>391</u>	<u>550</u>
		<u>4,717</u>	<u>3,011</u>

23 Segmental information

The Company's activities are restricted to operating restaurants and catering assignments which are subject to similar risks and returns. The Company also owns certain investments. The ownership and returns on these investments do not form separate financial segments, hence no business segmental information has been presented.

The Company operates only in the Kingdom of Bahrain and, hence, no geographical information is presented in these financial statements.

24 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the statement of financial position include cash and cash equivalents, other receivables, financial assets through profit or loss and trade and other payables. The specific recognition methods adopted are disclosed in the individual policy statements associated with each item.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2018 and 2017.

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

	31 December 2018	31 December 2017
Trade and other payables	540,640	550,044
Less: Cash and cash equivalents	(172,372)	(502,235)
Net debt	368,268	47,809
Total capital	5,997,202	7,395,683
Capital and net debt	6,365,470	7,443,492
Gearing ratio	5.79%	0.64%

Risk management is carried out by the Board of Directors, which has overall responsibility for the Company and oversight of the Company's risk management framework 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 Company's finance function. The Board receives monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Board provides principles for overall risk management, as well as policies covering specific areas, such as credit risk, interest risk, foreign exchange risk and investment of excess liquidity.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables. For banks and financial institutions only independent related parties with a minimum rating of 'A' are accepted. While cash and cash equivalents and short-term deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial. The risk management policy relating to trade and other receivables is provided in Note 9.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's call accounts earn fixed rates of interest. The negotiation only occurs when the fixed deposits are renewed on maturity. The Company's other assets and liabilities in the opinion of the management are not sensitive to interest rate risk.

The sensitivity of the statement of profit or loss and other comprehensive income due to the effect of reasonably possible changes in interest rates, with all other variables held constant, is not estimated to be significant by management.

24 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 Company's foreign currency transactions are predominantly in United States Dollars which is effectively pegged to the Bahrain Dinars. Accordingly, the management does not consider the Company to have a significant currency rate risk.

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company's management monitors liquidity requirements on a regular basis to help ensure that sufficient funds are available to meet all liabilities as they fall due.

Price risk is the risk that the Company is exposed to investments held and classified on the statement of financial position as financial assets at fair value through profit or loss. The Company is not significantly exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Investment fair value sensitivity analysis designated in the statement of financial position as financial assets at fair value through profit or loss is as follows:

<u>Description</u>	<u>Change</u>	<u>Impact on profits</u>
Financial assets at fair value through profit or loss	+/-5%	+/- 286,533
Financial assets at fair value through profit or loss	+/-10%	+/- 573,066

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 other receivables, cash and cash equivalents 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 2018.

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24 Financial assets and liabilities and risk management (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:

	<u>Fair value at 31 December 2018</u>	<u>Level of Hierarchy</u>	<u>Valuation technique used and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between unobservable inputs and fair value</u>
<i>Financial assets</i>					
Quoted: Fair value through profit or loss	5,730,662 (2017: 6,813,529)	L1	Quoted prices from stock exchanges	Not applicable	Not applicable

There were no transfers between levels during the years 2018 and 2017.

25 Subsequent events

There were no significant events subsequent to 31 December 2018 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.