



Bahrain Car Parks Company (B.S.C.)



2017
ANNUAL
REPORT



**HIS ROYAL HIGHNESS PRINCE KHALIFA
BIN SALMAN AL KHALIFA**
PRIME MINISTER OF THE KINGDOM OF BAHRAIN



HIS MAJESTY KING HAMAD BIN ISA ALKHALIFA
THE KING OF THE KINGDOM OF BAHRAIN



**HIS ROYAL HIGHNESS PRINCE SALMAN BIN
HAMAD AL KHALIFA**
CROWN PRINCE, DEPUTY SUPREME COMMANDER
AND FIRST DEPUTY PRIME MINISTER
OF THE KINGDOM OF BAHRAIN



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Administration and Contact Details

Commercial registration number

11455 obtained on 31 October 1981

Board of Directors

Ismaeel A. Nabi Al-Marhoon

Chairman (appointed with effect from 22.3.2017)

Mahmood Mahmood Husain

Chairman (resigned with effect from 19.3.2017)

Nabeel Khaled Mohammed Kanoo

Vice Chairman (appointed with effect from 22.3.2017)

Bader A S Alhasawi

(appointed with effect from 23.3.2017)

Ali Abdulla Mohammed Isa

Mohamed Abdulelah Alkoheji

Aamal Hamad Al-Zayani

Abdulla Nooruddin Abdulla Nooruddin

Yusuf Abdulrahman Fakhro

(appointed with effect from 22.3.2017)

Yaser Abduljalil Ali Alsharifi

(appointed with effect from 22.3.2017)

Ali Mohamed Buhamood

Ahmed Yousuf Mahmood Husain

(resigned with effect from 26.2.2017)

Jasim Mohamed Murad

(resigned with effect from 26.2.2017)

Khaled Hasan Qamber

(resigned with effect from 23.3.2017)

Executive Committee members

Yaser Abduljalil Ali Alsharifi

Chairman (appointed with effect from 22.3.2017)

Ismaeel A. Nabi Al-Marhoon

Chairman (resigned w.e.f.22.3.2017)

Ali Mohamed Buhamood

Aamal Hamad Al-Zayani

Abdulla Nooruddin Abdulla Nooruddin



Audit Committee members

Mohamed Abdulelah Alkoheji
Chairman

Ali Abdulla Mohamed Isa

Yusuf Abdulrahman Fakhro
(appointed with effect from 22.3.2017)

Khaled Hasan Qamber
(resigned with effect from 23.3.2017)

NRCG Committee members

Ismaeel A. Nabi Al-Marhoon
Chairman (appointed with effect from 22.3.2017)

Mahmood Mahmood Husain
Chairman (resigned with effect from 19.3.2017)

Nabeel Khaled Mohammed Kanoo
(appointed with effect from 22.3.2017)

Bader A S Alhasawi
(appointed with effect from 23.3.2017)

Jasim Mohamed Murad
(resigned with effect from 26.2.2017)

Ahmed Yusuf Mahmood Husain
(resigned with effect from 26.2.2017)

Chief Executive Officer

Tariq Ali Aljowder

Financial Director

Mahmood Husain Yaseen

Registered office

Office No. 210, Building No.128,
Road No. 383, Block No. 316
2nd Floor, Car Parks & Commercial Centre
Government Avenue
PO Box 5298
Manama
Kingdom of Bahrain





Bankers

Ahli United Bank

Alsalam Bank

Bank of Bahrain and Kuwait

Ithmaar Bank

National Bank of Bahrain

National Bank of Kuwait

Auditors

BDO

17th Floor

Diplomat Commercial Office Tower

PO Box 787, Manama

Kingdom of Bahrain

Internal auditors

Grant Thornton – Abdulaal

PO Box 11175

Manama

Kingdom of Bahrain

Share Registrar

Karvy Computershare W.L.L.

PO Box 514

Manama

Kingdom of Bahrain

Bahrain Clear

PO Box 3203

Manama

Kingdom of Bahrain

Board of Directors - A Brief Profile

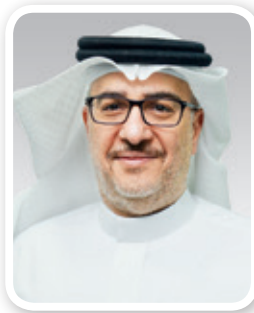


Mr. Ismail Abdul Nabi Almarhoon

Chairman of the Board

Non-Independent / Non-Executive

Mr. Ismail Abdul Nabi Almarhoon is a Retired Asst. Undersecretary for Resources and Information at Ministry of Finance. Mr. Almarhoon is Chairman of the Board of Gulf Diabetes Center. He holds Master of Business Administration in Financial Management from University of Dundee – UK, High Diploma in International Taxation from Southern Methodist University – USA and Management Diploma from Gulf Technical College - Bahrain



Mr. Nabeel Khaled Mohamed Kanoo

Vice Chairman of the Board

Independent / Non-Executive

Mr. Nabeel Khaled Mohamed Kanoo is Director, Corporate Marketing and Public Relations at - Yusuf Bin Ahmed Kanoo, Board Member of YBA Kanoo, Saudi Arabia, Board Member of YBA Kanoo, Bahrain, Board Member of Kanoo & El-Shabrawy Ltd Co. Egypt, Board Member of K Hotel, Board Member of Ithmaar Bank, Board Member of Bahrain Airport Services, Board Member of Bahrain Labor Market Regulatory Authority. He Holds Bachelor degree in Business Management from St. Edwards University, Austin, Texas.



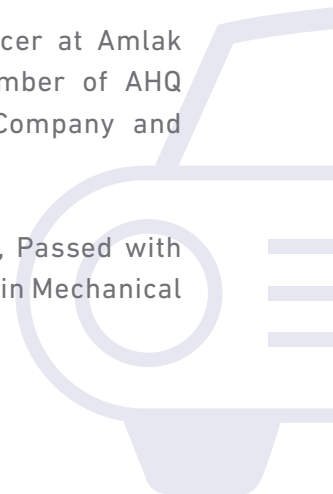
Mr. Mohamed Abdulelah Alkoheji

Director

Non-Independent / Non-Executive

Mr. Mohamed Abdulelah Alkoheji is the Chief Executive Officer at Amlak Social Insurance Organization Development Co., Board member of AHQ Holding Company W.L.L, Qalali Real Estate Development Company and Southern Area Development Company.

He holds Master of Science in Management and Engineering, Passed with Merit from Kingston University, UK. and Bachelors with Honors in Mechanical Engineering from the same university.





Board of Directors - A Brief Profile



Mr. Abdulla Nooruddin Abdulla Nooruddin

Director

Non-Independent / Non-Executive

Mr. Abdulla Nooruddin Abdulla Nooruddin is Director-Investment and Strategic Planning at Amlak Social Insurance Organization Development Co. He Holds Master degree in Business Information Technology from Northumbria University -UK, Bachelors degree in Arts and Economics from Clark University – UK and he is a Chartered Financial Analyst.



Mr. Ali Abdulla Mohammed Isa

Director

Non-Independent / Non-Executive

Mr. Ali Abdulla Mohammed Isa is Executive Director, Business Analytics & Actuarial Studies at Social Insurance Organization. He holds Bachelor of Science degree in Information Technology and Diploma in Statistical Studies from Birla Institute of Technology.



Mr. Yusuf Abdulrahman Yusuf Fakhro

Director

Non-Independent / Non-Executive

Mr. Yusuf Abdulrahman Yusuf Fakhro is the Managing Director of Yusif Bin Yusif Fakhro B.S.C.(c), the President of Rotary Club of Sulmaniya, Chapter Chair of Young Presidents Organization, Bahrain Chapter and the Board Member of Banader Hotels Co. B.S.C. He holds Bachelor degree in International Relations with a cluster focus on International Trade and Finance from Tufts University Boston, Massachusetts – USA.



Board of Directors - A Brief Profile

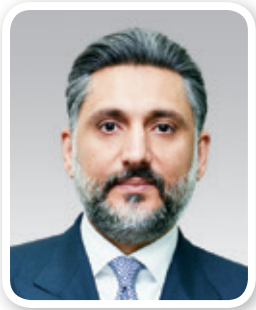


Ms. Aamal Hamad Al-Zayani

Director

Non-Independent / Non-Executive

Ms. Aamal Hamad Al-Zayani is Portfolio Governance Manager at Osool Asset Management and Board Member of Bahrain International Golf Course Company. She is also a Board Member of Riffa Views Company. She Holds Masters in Business Administration (MBA) with concentration in Finance from University of Bahrain and B.Sc. in Banking and Finance from the same university.



Mr. Yaser Abduljalil Ali Alsharifi

Director

Independent / Non-Executive

Mr. Yaser Abduljalil Ali Alsharifi is the Chief Strategy Officer at National Bank of Bahrain. He is a Board Member of Bahrain Bourse, board member of EDAMAH and board member of Bahrain Clear. He holds B.Sc. in Business Administration and Accounting from University of Massachusetts Amherst and he is a Certified Public Accountant.



Mr. Bader A S Alhasawi

Director

Non-Independent / Non-Executive

Mr. Bader A S Alhasawi is the Real Estate Operation Manager at Kuwaiti Real Estate & Commercial Centre Co. (Al Sharjah Branch, HQ). He holds Diploma in Business Administration & Diploma in Computer Science from Seattle University (USA).



Mr. Ali Mohammed Buhamood

Director

Non-Independent / Non-Executive

Mr. Ali Mohammed Buhamood is the Executive Manager at Kuwaiti Real Estate & Commercial Centre Co. (Bahrain Branch). He holds B.Sc. in Political Science & Statistics from Kuwait University.



Board of Directors



Board of Directors & CEO



CHAIRMAN'S REPORT

Dear Shareholders,

It is my pleasure to present on behalf of the Board of Directors our 37th annual report summarising the activities and results of Bahrain Car Parks Company B.S.C. ("the Company") for the year ended 31 December 2017.

During the year, the Company's performances have shown improvements as compared to the previous year. This is evident through the profit for the year 2017 amounted to BD799,945 as compared to BD435,914 in 2016.

As far as the investments are concerned, the Company has a portfolio in the form of quoted and unquoted shares and debt securities amounting to BD3,725,849 as at 31 December 2017 (2016: BD3,619,334). The Board has concentrated its investments in companies whereby the capital is almost guaranteed and carry low risk, but that requires a longer holding period for income to be realised.

In addition, the Company holds fixed deposits amounting to BD5,375,417 (2016: BD4,833,813), generating a reasonable return. The Board will take advantage of all good investment opportunities that maintain the Company's diligent policy of balancing risks and returns.

The net profit comprised of BD399,452 from operations (2016: BD320,658), the return on investment for the year was BD401,777 (2016: BD107,909). In light of the achieved results alongwith the balance of retained earnings brought forward from the previous years, the total amount available for appropriation for the year ended 31 December 2017 aggregated to BD3,160,554 from which the Board of Directors proposes the following appropriations:

1. Transfer of BD79,995 to statutory reserve, being 10% of the net profit for the year.
2. A dividend of BD346,514 which represents 5% of the share capital i.e. 5fils per share.
3. Directors' remuneration of BD37,343
4. Transfer of BD10,000 to charity reserve
5. Balance of BD2,686,702 remains in retained earnings.

We would like to inform our shareholders that directors remuneration for the year 2017 of BD37,343 will be paid to the Board of Directors during 2018.

On the occasion of presenting this Annual Report, I, on behalf of the Board of Directors would like to express gratitude and appreciation to His Majesty, King Hamad Bin Isa Al Khalifa – the King of Bahrain, and to his wise Government under the leadership of His Royal Highness Prince Khalifa Bin Salman Al Khalifa – the Prime Minister and to His Royal Highness Prince Salman Bin Hamad Al Khalifa – the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister for their continued support to the Company.

I would also like to thank all members of the staff for their hard work during the year.



Ismaeel A. Nabi Al Marhoon

Chairman





CHAIRMAN'S MESSAGE

It has been an exceptional year of growth and progress! We are on the threshold of a bright future with a new vision and a new mindset. On behalf of the Board of Directors of Bahrain Car Parks Company, I take great pleasure and pride in presenting the 37th Annual Report for the year ended 31st December 2017.

The positive results as underpinned by a healthy revenue stream bear testimony to the company's futuristic endeavors and its growth momentum. Our new vision necessitated a prudent approach whereby we analyzed and reviewed our income streams, fortifying the balance sheet with decisions that maximize ROI and delivered value. In lieu of this fact, I am pleased to report that the company achieved a net profit of 800,000 BD in the year 2017 compared to 436,000 BD in the year 2016.

This outstanding performance was achieved by focusing on our core competencies and a new strategic growth model. Our new objectives and strategy places stringent emphasis on shareholder value - the focal point being investments in core business that deliver high returns with low risk. We have also outlined a number of initiatives for the future with emphasis on Bahrainization and Technology. This is in line with Bahrain's Economic Vision 2030. We are an integral part of the nation's endeavours and we will leave no stone unturned to deliver on our promise.

The implementation of new corporate governance practices accompanied by streamlining of policies and procedures further strengthens the company's goals, adding value to the implementation of our new strategic vision.

We remain upbeat about our intelligent, holistic approach in identifying exciting opportunities and pursuing strong organic growth. Our ability to tailor a unique bespoke strategy adapting to the changing trends of an evolving world will ensure we are on the right path to the destination of success.

We remained determined to make a positive difference to everyone who interacts with us.

Ismaeel A. Nabi Al Marhoon

Chairman



CEO'S MESSAGE

It is all about high performance growth and shaping of a bright future, delivering on the promise of steadfast progress. Against this backdrop, I am happy and privileged to dispense a brief synopsis of the Annual Report 2017 for Bahrain Car Parks Company.

Facilitating a positive transformation mandate aligning of the new vision and inventive mindset with the relevant business processes, systems, tools and ideas. This is a work in progress and we are constantly refining the measures as we move to the next level. Ultimately, it is all about exceeding expectations of the shareholders, stakeholders and the general public.

Our encouraging and robust performance is a result of a firm resolve and a calculated analytical approach by a handpicked team of high caliber professionals. We streamlined our business processes focusing on our core business to optimize productivity, efficiency and high returns. This was evident with the ensuing results that we are in the right direction.

We are currently working on a strategic paradigm which is in its infancy. It has a core objective of emphasizing Excellence in everything we do. We will focus on a CI (Continuous Improvement) approach in operations, sales and all support services.

On the technological front, we are aware of the changing market dynamics of an evolving world. We have charted plans to implement new ideas and initiatives in the technological intelligence field focusing on delivering convenience, speed, control and cost effectiveness.

We aim to be a responsive and pioneering culture backed by the values of respect, integrity, hard work, discipline and empathy. Our purpose is to be a responsible entity by adding value to the underprivileged in society. In this regard, we have a firm policy to give back to government approved charities under a defined criterion. On the human capital front, we have focused on attracting, retaining and developing local talent achieving more than 50% of Bahrainisation.

We believe it is all about meaningful innovation and maximization of value to our shareholders and stakeholders whereby the bottom-line is to enhance the lives of our people who are the main beneficiaries of our services.

Tariq Ali Aljowder
Chief Executive Officer



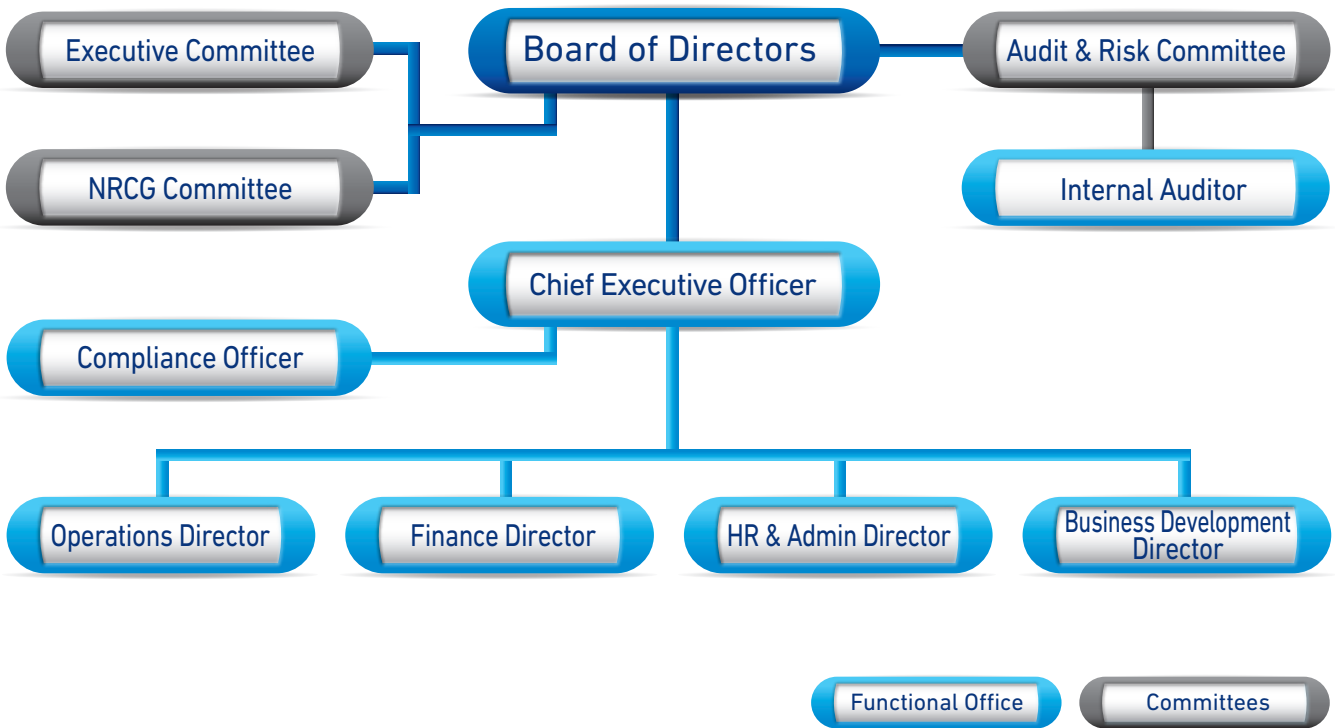


Corporate Governance

Corporate Governance is about promoting corporate fairness, transparency and accountability. It is a continual process which aims at transforming corporations into more democratic entities with a view to enhance responsible corporate

management geared towards long term value creation. Bahrain Car Parks Co B.S.C. is committed to continuously review and enhance its Corporate Governance policies.

Governance Structure



Shareholding

The Company is owned by the following major shareholders - details are given in Note 13 to the financial statements.

Name of Major Shareholders	Nationality	Number of shares	Percentage of shareholding interest
Social Insurance Organization	Bahraini	37,033,490	52.67%
Kuwait Commercial Real Estate Centre	Kuwaiti	15,000,000	21.33%

The following shares are held by the directors or management personnel.

Name of Directors	No. of shares
Yusuf Abdulrahman Fakhro	100,000

Policies and procedures

The Company has internal controls and procedures in-place and its key policies and procedures are documented and are constantly reviewed on an on-going basis.

Corporate strategies and objectives

The corporate strategy for the Company flows from the Charter of the Company's Articles and Memorandum of Association which states the purpose of the Company's establishment. Thus, the overall corporate strategy as envisaged by the Board of Directors can be summed up as follows:

"To develop safe, best and easily accessible parking facilities for the customers in Bahrain cities".

The foregoing overall corporate strategy can be achieved through:

- 1 Provision of services which meet customer expectations;
- 2 Establishment of state of the art technology;
- 3 Introduction of value added services wherever possible;
- 4 Continuous strive for improvement in service levels;
- 5 Development of HR capabilities through training and planning;
- 6 Optimize shareholder wealth through growth in premiums, maximizing returns on investments and strict control over claims and costs;
- 7 Continuous search for new opportunities for diversification; and
- 8 Develop investment policies

Risk management strategies and policies

Risk management is essentially about identifying, monitoring and controlling all material risks that the organization may be

subjected to. The main types of risks faced by the Company are credit, liquidity, market, technical and operational including outsourcing risks. A detailed Risk Management Manual has also been developed.

The Company identifies, assesses, monitors, controls and manages the various risks on an on-going basis and has established systems, procedures and controls as are appropriate and commensurate to the nature, scale and complexity of its business operations. There are clearly defined underwriting and claims processes with appropriate authority limits and operational practices which are in line with market standards. The investment risks are clearly formulated and documented in an Investment Policy Manual which has been thoroughly revised and approved by the Board. The Executive Committee continuously monitors the investment portfolio and the risks involved and take proactive measures to mitigate the risks.

Internal control risks are controlled by having effective and adequate internal control systems in place which are tested on a regular basis. The Executive committee is charged with the responsibility of ensuring that adequate internal controls are in place to mitigate any existing or potential risks.

Board of Directors

The members of the Board of Directors are appointed or elected by the shareholders and each Director has a term of 3 years, renewable, thereafter, by re-appointment. The term of the current members of the Board of Directors will expire after one year.

New members to the Board are inducted during the first Board meeting during which time, a brief about the Company and its operations are presented.



The functions of the Board include, but not limited to, the following:

- 1 Review and approval of the Company's business performance for the year including the overall strategies, budgets and business plans for the subsequent years;
- 2 Monitor, on an on-going basis, the operational performance of the Company;
- 3 Monitor the risks faced by the Company and assess measures to address those risks in respect of the risk management framework;
- 4 Ensure overall compliance of the Company to legal and statutory requirements;
- 5 Ensure the accuracy of the financial position of the Company;
- 6 Convening and preparing the agenda for shareholder meetings;
- 7 Monitoring conflicts of interest and preventing abusive related party transactions;
- 8 Selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning;
- 9 Ensuring a formal and trans-group board nomination and election process in accordance with the rules and regulations governing the Company;
- 10 Review of independence of the Board members at periodical intervals;
- 11 Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of controls are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards;
- 12 Assuring equitable treatment of shareholders including minority shareholders;
- 13 Monitor and evaluate the performance of the management;

- 14 Monitor and evaluate the performance of each committee and each of the directors at periodical basis; and
- 15 Review, on regular basis, the remuneration packages of senior management.

The directors of the Company take individual and collective responsibility for performing the above responsibilities. However, the Board at times, delegates certain functions to its sub-committees or the senior management and ensures that an adequate, effective, comprehensive and transparent corporate governance framework is in place. The role and responsibilities of the Board and all its sub-committee are detailed in their respective charter which is currently under development. The Board is considering the uploading of the key information in the Company's website once fully developed.

During 2017, Mr. Ismaeel A. Nabi Al-Marhoon was nominated as the Chairman of the Company and Mr. Nabeel Khaled Mohammed Kanoo was nominated as the Vice Chairman by the Board of Directors.

Chairman of the Board

The Chairman heads the Board of Directors and suitably makes communication with the Board members and the shareholders of the Company. The responsibilities include:

- 1 Maintaining continuing communication with major shareholders to solicit their views and understand their concerns;
- 2 Communicating the views of the major shareholders to the Board as a whole;
- 3 Discussing the governance and strategy of the Company with major shareholders; and
- 4 Encouraging the participation of the major shareholders at the same time having respect to the rights of minority shareholders.

Profile of Board of Directors

Sr. No.	Name of the Board member	Profession	Designation	Executive / non-Executive Independent / non-Independent	Experience in Years	Qualification
1	Ismaeel A. Nabi Al-Marhoon	Retired Asst. Undersecretary for Resources and Information at Ministry of Finance	Chairman	Non-Executive / Non-Independent	38	MBA Financial Management, University of Dundee - UK. High Diploma in International Taxation, Southern Methodist University – USA. Management Diploma, Gulf Technical College- Bahrain
2	Nabeel Khaled Mohammed Kanoo	Director - Corporate, Marketing & Public Relations - Yusuf Bin Ahmed Kanoo W.L.L.	Vice-Chairman	Non-Executive / Independent	23	B.Sc. Bachelor of Business Management from St. Edwards University, Austin, Texas
3	Bader A.S Alhassawi	Real Estate Operation Manager - Kuwaiti Real Estate & Commercial Centre Co. (Al Sharjah Branch, HQ)	Director	Non-Executive / Non-Independent	20	Diploma in Business Administration & Diploma in Computer Science from Seattle University (USA)
4	Ali Mohammed Buhamood	Executive Manager – Kuwaiti Real Estate & Commercial Centre Co. (Bahrain Branch)	Director	Non-Executive / Non-Independent	43	B.Sc. Political Science & Statistics - Kuwait University
5	Ali Abdulla Mohamed Isa	Executive Director - Business Analytics & Actuarial Studies – SIO	Director	Non-Executive / Non-Independent	32	B.Sc. Science in Information Technology Diploma in Statistical Studies
6	Mohammed Abdulelah Alkoheji	Chief Executive Officer - Amlak	Director	Non-Executive / Non-Independent	15	Master of Science, Engineering and Management -Kingston University, UK B.Sc. Mechanical Engineering - Kingston University, UK
7	Aamal Hamad Al-Zayani	Portfolio Governance Manager - Osool	Director	Non-Executive / Non-Independent	24	Master in Business Administration (MBA) – University of Bahrain. B.Sc. in Banking and Finance –University of Bahrain
8	Abdulla Nooruddin A. Nooruddin	Director – Investment and Strategic Planning - Amlak	Director	Non-Executive / Non-Independent	15	Master of Science, Business Information Technology, North Umbria University, UK. B.Sc.Arts and Economics – Clark University, UK. Chartered Financial Analyst
9	Yaser Abduljalil Ali Alsharifi	Chief Strategy Officer – National Bank of Bahrain	Director	Non-Executive / Independent	23	B.Sc. Business Administration, Accounting – University of Massachusetts Amherst. Certified Public Accountant.
10	Yusuf Abdulrahman Fakhro	Managing Director - Yusuf Bin Yusif Fakhro B.S.C.(c)	Director	Non-Executive / Non-Independent	17	B.Sc. International Relations with a cluster focus on International Trade and Finance -Tufts University Boston, Massachusetts, USA



Conflicts of interests

The Board has the overall responsibility to ensure that transactions that may result in conflicts of interests are suitably addressed. It also ensures that the concerned directors abstain from the voting of those decisions if any conflict exists.

Summary of responsibilities

The Board of Directors are having long period of professional experience in this industry and can clearly establish the objectives and formulate business plan. The Main objective of the Board of Directors is to maximize the wealth of the shareholders. The Board of Directors is also responsible for the development of overall corporate governance of Bahrain Car Parks Company. The Board quarterly meets to discuss and evaluates financial, operational, legal and other internal controls. The Board has full authority to take decision on setting annual business plan and budget. The Board of Directors of the Company understand their role and responsibilities under the commercial companies' law or any other laws or regulations that govern their responsibilities from time-to-time. The role of the Board includes:

- 1 Role of the Board which is distinct from the role of the shareholders and that of the officers of the Company; and
- 2 Board's fiduciary duties of care and loyalty to the Company and its shareholders.

One of the board members, Mr. Nabeel Khaled Mohammed Kanoo, has attended only 2 out of 4 board meetings held during 2017 and hence, his attendance has fallen below 75% minimum attendance as required by CBB Rule Book Volume 6 on HC-High Level controls. The absence was due to official business travel with Economic Development Board and he has been briefed about the matters discussed and decisions taken during the meetings. The Board of Directors Meetings was carried out smoothly by the rest of the Board members in absence of Mr. Nabeel Khaled Mohammed Kanoo. The chairman of the Board ensured that the objectives of the Board meetings were met and the Company businesses were dealt appropriately.

The Company should hold a minimum of four board meetings during each year. During the year ended 31 December 2017, seven board meetings were held. The following table summarizes the information about Board of Directors meeting dates and attendance of directors at each meeting:

Sr. No.	Board Meeting Members	Designation	Status	23- January	26- February	19 - March	22 - March	10 - May	30 - July	08 - November
1	Mahmood Mahmood Husain	Chairman	Resigned on 12.03.17	P	A	NA	NA	NA	NA	NA
2	Ismaeel A. Nabi Al-Marhoon	Chairman	w.e.f 22.3.17	P	P	P	P	P	P	P
3	Nabeel Khaled Mohammed Kanoo	Vice - Chairman	Joined on 22.03.17	NA	NA	NA	P	A	P	A
4	Bader A.S Alhassawi	Director	Joined on 23.03.17	NA	NA	NA	NA	P	P	P
5	Khaled Hassan Qamber	Director	Resigned on 22.3.17	A	A	P	NA	NA	NA	NA
6	Ali Mohammed Buhamood	Director	Joined on 12.07.12	P	P	P	P	P	P	P
7	Ali Abdulla Mohamed Isa	Director	Joined on 21.03.16	P	P	P	P	P	P	P



Sr. No.	Board Meeting Members	Designation	Status	23- January	26- February	19 - March	22 - March	10 - May	30 - July	08 - November
8	Mohammed Abdulelah Alkoheji	Director	Joined on 21.03.16	A	P	P	P	P	P	P
9	Aamal Hamad Al-Zayani	Director	Joined on 21.03.16	P	P	P	P	P	A	P
10	Abdulla Nooruddin A. Nooruddin	Director	Joined on 21.03.16	P	P	P	P	P	A	P
11	Yaser Abduljalil Ali Alsharifi	Director	Joined on 22.03.17	NA	NA	NA	P	P	A	P
12	Yusuf Abdulrahman Fakhro	Director	Joined on 22.03.17	NA	NA	NA	P	P	A	P

P = Present | A = Absent | NA = Not Applicable

Total remuneration paid to the Board of Directors during 2017 is BD 24,650/- as basic fee.

Profile of Executive Committee Summary of responsibilities

Executive committee is formed with four members and at least two directors are to attend the meeting to ensure a quorum. The minimum number of meetings required each year is four. The role of the committee is to assist the Board in the discharge of its functions, assists the Board in reviewing quarterly company performance, policies, practices, various operational controls and corporate governance with the support of Internal and external auditors. The executive committee also oversee the standards of quality

and reliability of the financial information submitted to the Board by the management. The executive committee has the additional responsibility to ensuring strategic procurement objectives are developed and implemented through an annual procurement strategy to ensure that major investment decisions are procured strategically to enable prudent and efficient outcomes through market engagement.

During the year ended 31 December 2017, four executive committee meetings were held. The following table summarizes the information about executive committee meeting dates and attendance of directors at each meeting:

Sr. No.	Executive Meeting Members	Designation	26 - February	23 - April	10 - July	06 - November
1	Ismaeel A Nabi Al-Marhoon	Chairman Until 21.03.2017	P	NA	NA	NA
2	Yaser Abduljalil Ali Alsharifi	Chairman w.e.f 22.03.17	NA	P	P	P
3	Ali Mohammed Buhamood	Director	P	P	P	P
4	Aamal Hamad Al-Zayani	Director	P	P	P	P
5	Abdulla Nooruddin A. Nooruddin	Director	P	P	P	P

Total remuneration paid to the executive committee members during 2017 is BD 7,350/-.





Profile of Audit Committee

Summary of responsibilities

Audit committee is formed with three members and at least two directors are to attend the meeting to ensure a quorum. The minimum number of meetings required each year is four. The duties of the audit committee are:

- 1 Recommends the appointment, compensation and oversight of the external and internal auditors and confirm their independence;
- 2 Ensures co-ordination among the internal and external auditors;
- 3 Discuss the significant accounting and reporting issues for the financial year;
- 4 Discuss the important findings of audit investigations, audit suggestions and management response;

- 5 Review the risk management and compliance with legal requirements;
- 6 Ensure existence of appropriate financial and accounting policies, procedures, systems, internal controls, guidelines in the Company; and
- 7 Ensure communication with the management that the interim and annual financial statements present a true and fair view in all material respects

The External Auditors, BDO Public Accountants, present the annual audited financial statements and management report to the Audit Committee upon invitation.

During the year ended 31 December 2017, five Audit committee meetings were held. The following table summarizes the information about Audit committee meeting dates and attendance of directors at each meeting:

Sr. No.	Audit Committee Members	Designation	21 - February	07 - May	01 - June	25 - July	01 - November
1	Mohamed Abdulelah Alkoheji	Chairman Joined on 21.03.16	P	P	P	P	P
2	Ali Abdulla Mohamed Isa	Director Joined on 21.03.16	P	P	P	P	P
3	Yusuf Abdulrahman Fakhroo	Director Joined on 22.03.17	NA	P	P	A	P

Total remuneration paid to the Audit committee members during 2017 is BD 6,250/-

Profile of Nomination, Remuneration and Corporate Governance Committee (NRCG)

Summary of responsibilities

The Nomination, Remuneration and Corporate Governance Committee comprises of three Board members selected and appointed by the Board. The Committee meets at least twice a year. The role of the Committee is to assist the Board in fulfilling its responsibilities with regard to the nomination,

Remuneration and Corporate Governance policy of our organization. The Committee also has the responsibility of reviewing and recommending the remuneration policies for the Board of Directors and staff.

During the year ended 31 December 2017, four Nomination, Remuneration and Corporate Governance Committee meetings were held. The following table summarizes the information about Nomination, Remuneration and Corporate Governance Committee meeting dates and attendance of directors at each meeting:

Sr. No.	NRCG committee Members	Designation	27 - February	02 - May	30 - July	8- November
1	Ismaeel A. Nabi Al-Marhoon	Chairman	P	P	P	P
2	Nabeel Khaled Mohammed Kanoo	Director Joined 22.03.17	NA	P	P	A
3	Aamal Hamad Al Zayani	Director Till 22.03.17	P	NA	NA	NA
4	Bader A.S Alhassawi	Director Joined 23.03.17	NA	P	P	P

Total remuneration paid to the Nomination, Remuneration and Corporate Governance Committee members during 2017 is BD 4,600/-.



Board of Directors - Meeting



Profile of Executive Management



Tariq Ali Al Jowder
Chief Executive Officer

Mr. AlJowder has wealth of industry expertise of over 25 years of working with Bahrain Defence Force (BDF) on logistics management and development, contracts management and implementation, where he held a portfolio of senior executive responsibilities. After his retirement from BDF, Mr. Aljowder served as Executive director-real estate at Abu Dhabi Investment House where he was in charge of some major real estate projects. In 2009, he was appointed CEO of Alreen Holding company BSC to manage a major mix-use development project in the south of Bahrain, during his time at Alareen, he was Chairman of Alreen leisure & Tourism company a subsidiary of Alareen Holding and also was Owners representative and Board Member of Alreen Hotels SPC owning company of Alreen Palace resort & spa (Ex. Banyan Tree resort-Bahrain). Mr. Aljowder was Executive Secretary and Board Member of Bahrain Property Development Association and Executive Board Member at Takamul Capital BSC. Mr. AlJowder holds BSC in Aerospace Technology Engineering from Northrop University, Los Angeles-California, and MBA from American University Washington DC.



Mahmood Husain Yaseen
Finance Director

Mr. Mahmood Yaseen has more than 15 years of extensive experience in a gamut of core financial and operational audit practice within the financial services, telecom, aviation and insurance, in addition to risk assessment. Prior to joining Bahrain Car parks Mr. Yaseen held a number of key positions during his professional careers including Head of Internal Audit for Bahrain National Holding and Mena Telecom where he established the internal audit department, executing risk assessment technique and accountable to the audit committee for the production of accurate, well researched reports on the risks as planned on a timely manner. His experience also includes the role of Country Auditor and Regional Senior Auditor - GCC and Cyprus at BNP Paribas Bank.

Mr. Yaseen is a qualified Certified Public Accountant from California Board of Accountancy (USA) and Certified Internal Auditor from Institute of Internal Auditor (USA). He holds a B.Sc. in Accounting from University of Bahrain.

The following table summarizes the information about the profession and business title of each of the Executive Management:

Sr. No	Name of the Executive member	Designation	Joining Date	Experience	Qualification
1	Tariq Ali Al Jowder	Chief Executive Officer	December 2016	28	MBA -American University Washington DC. BSC in Aerospace Technology Engineering from Northrop University, Los Angeles-California.
2	Aqeel Abdulrahim Hasan	Operation Director	May 2017	17	B.Sc. Mechanical Engineer, University of Bahrain. Project Management Professional.
3	Mahmood Husain Yaseen	Finance Director	August 2017	16	B.Sc. Accounting, University of Bahrain, Certified Public Accountant, USA. Certified Internal Auditor, USA.

Total remuneration paid to the executive management during 2017 is BD 103,873. Operation Director resigned on 21st December 2017.

Management of principal risks and uncertainties faced by the Company

The Board as a whole and management are assessing the risk from time to time. Board of Directors discuss and take proper measures for risks faced by the Company.

External Auditor

- Audit Fees

BDO appointed as the external auditor of the company for the year ended 31 December 2017. The Audit fees during 2017 is BD 6,850.

- Non-Audit Service Provided by External Auditor

Non-audit services provided by BDO is agreed upon procedure report to the lease rent of the main car park building to Bahrain Real Estate Investment (EDAMAH). The fees for the non-audit service provided by external auditor during 2017 is BD 1,000.

Internal Auditor

- Review of internal control processes and procedures

The review of internal control process and procedures is performed regularly by the Company's internal auditors, Grant Thornton – Abdulaal to ensure the efficiency and compliance with the laws and regulation.

Internal Audit fees during 2017 is BD6,100





Independent auditor's report to the shareholders of Bahrain Car Parks Company B.S.C.

Opinion

We have audited the financial statements of Bahrain Car Parks Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2017, 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 2017, 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 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 financial statements for the year ended 31 December 2017. 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

The operating income as reported in Note 17 of the financial statements includes rental income from car parks, service charges in respect of investment properties. The Company focuses on revenue as a key performance measure and by default, this area has a fraud risk element and is therefore always considered as a significant risk.

Our audit procedures included, considering the appropriateness of the Company's revenue recognition policies and assessing compliance with the policies in light of the applicable accounting standards. We have tested the effectiveness of internal controls implemented by the Company over the revenue cycle and have also performed analytical procedures over the revenue streams and tested the relevant supporting documents on a sample basis to confirm their reasonableness and accuracy.

Financial assets and fair value through profit or loss

The Company has quoted and unquoted investments as disclosed in Note 7 of the financial statements, which are classified as financial assets at fair value through profit or loss and form a significant balance in the financial statements and the fair value changes could have a material impact on the Company's operational results and may result in assets being misstated.

Our audit procedures included testing of investments acquired and sold during the year on a sample basis, testing ownership and classification and testing the fair value of investments for reasonableness and accuracy.

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 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 the 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 scepticism throughout the audit. We also:

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.
- 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 the management and Those Charged With Governance 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 Those Charged With Governance 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 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, 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 the recognised procedures, has maintained proper books of account and the financial statements are in agreement therewith; and
- (3) The financial information included in the Chairman's report is consistent with the books of account of the Company.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2017.

BDO



Manama, Kingdom of Bahrain
21 February 2018



Statement of financial position

as at 31 December 2017 (Expressed in Bahrain Dinars)

	Notes	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,934,605	2,779,269
Financial assets at fair value through profit or loss	7	3,344,978	3,238,463
Held-to-maturity investments	8	380,871	380,871
Investment properties	9	481,360	481,360
Long-term fixed deposits	10	-	1,500,000
		<u>7,141,814</u>	<u>8,379,963</u>
Current assets			
Inventories		5,153	8,470
Short-term fixed deposits	10	5,375,417	3,333,813
Trade and other receivables	11	125,775	438,962
Cash and bank balances	12	756,175	709,731
		<u>6,262,520</u>	<u>4,490,976</u>
Total assets		<u><u>13,404,334</u></u>	<u><u>12,870,939</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	7,031,723	7,031,723
Treasury shares	13	(101,456)	(101,456)
Statutory reserve	14	2,949,540	2,869,545
Charity reserve		4,900	5,900
Retained earnings	14	3,070,559	2,707,123
Total equity		<u>12,955,266</u>	<u>12,512,835</u>
Non-current liabilities			
Employees' terminal benefits	15	22,765	24,171
Current liabilities			
Other payables	16	426,303	333,933
Total liabilities		<u>449,068</u>	<u>358,104</u>
Total equity and liabilities		<u><u>13,404,334</u></u>	<u><u>12,870,939</u></u>

These financial statements, set out on pages 25 to 60, were approved and authorised for issue by the Board of Directors on 21 February 2018 and signed on their behalf by:

Ismaeel A. Nabi Al-Marhoon
Chairman

Nabeel Khaled Mohammed Kanoo
Vice Chairman

Tariq Ali Aljowder
Chief Executive Officer





Statement of profit or loss and other comprehensive income

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

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Operating income	17	1,112,047	970,320
Net income from investments	18	401,777	107,909
Operating, general and administrative expenses	19	(712,595)	(649,662)
Operating profit		801,229	428,567
Other income		3,297	14,492
Directors' remuneration	20	(4,581)	(7,145)
Net profit and total comprehensive income for the year		<u>799,945</u>	<u>435,914</u>
Basic and diluted earnings per share	21	<u>12 fils</u>	<u>6 fils</u>

These financial statements, set out on pages 25 to 60, were approved and authorised for issue by the Board of Directors on 21 February 2018 and signed on their behalf by:

Ismaeel A. Nabi Al-Marhoon
Chairman

Nabeel Khaled Mohammed Kanoo
Vice chairman

Tariq Ali Aljowder
Chief Executive Officer



Statement of changes in shareholders' equity

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

	Notes	Share capital	Treasury shares	Statutory reserve	Charity reserve	Retained earnings	Total
At 31 December 2015		7,031,723	(101,456)	2,825,954	-	2,671,314	12,427,535
Net profit and total comprehensive income for the year		-	-	-	-	435,914	435,914
Transferred to statutory reserve	14	-	-	43,591	-	(43,591)	-
Dividends paid for 2015	22	-	-	-	-	(346,514)	(346,514)
Charity reserve created during the year	23	-	-	-	10,000	(10,000)	-
Charity payments made during the year		-	-	-	(4,100)	-	(4,100)
At 31 December 2016		7,031,723	(101,456)	2,869,545	5,900	2,707,123	12,512,835
Net profit and total comprehensive income for the year		-	-	-	-	799,945	799,945
Transferred to statutory reserve	14	-	-	79,995	-	(79,995)	-
Dividends paid for 2016	22	-	-	-	-	(346,514)	(346,514)
Charity reserve created during the year	23	-	-	-	10,000	(10,000)	-
Charity payments made during the year		-	-	-	(11,000)	-	(11,000)
At 31 December 2017		<u>7,031,723</u>	<u>(101,456)</u>	<u>2,949,540</u>	<u>4,900</u>	<u>3,070,559</u>	<u>12,955,266</u>





Statement of cash flows

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

	Notes	2017	2016
Operating activities			
Net profit for the year		799,945	435,914
Adjustments for:			
Depreciation of property, plant and equipment	6	36,935	28,975
Impairment loss on property, plant and equipment	6	-	32,696
Impairment loss on investment properties	9	-	8,218
Provision for impaired rents receivable from tenants	11	-	3,425
Gain on disposal of property, plant and equipment		-	(663)
Unrealised fair value (gains)/losses on financial assets at fair value through profit or loss	18	(106,515)	203,262
Dividends income	18	(110,501)	(110,260)
Interest income on held-to-maturity investments	18	(25,922)	(25,781)
Interest income on fixed deposits	18	(152,614)	(173,552)
Interest income on current account	18	(6,225)	(1,578)
Changes in operating assets and liabilities:			
Inventories		3,317	6,078
Trade and other receivables		313,187	(120,693)
Other payables		92,370	58,118
Employees' terminal benefits, net		(1,406)	3,030
Net cash provided by operating activities		<u>842,571</u>	<u>347,189</u>
Investing activities			
Purchase of property, plant and equipment	6	(192,271)	(21,930)
Proceeds from sale of property, plant and equipment		-	1,774
Dividends received	18	110,501	110,260
Interest income on held-to-maturity investments	18	25,922	25,781
Interest income received on fixed deposits	18	152,614	173,552
Interest income received on current account	18	6,225	1,578
Net movements in fixed deposits		(541,604)	(52,484)
Net cash (used in)/provided by investing activities		<u>(438,613)</u>	<u>238,531</u>
Financing activities			
Dividends paid	22	(346,514)	(346,514)
Charity payments		(11,000)	(4,100)
Net cash used in financing activities		<u>(357,514)</u>	<u>(350,614)</u>
Net increase in cash and cash equivalents		46,444	235,106
Cash and cash equivalents, beginning of the year		709,731	474,625
Cash and cash equivalents, end of the year	12	<u><u>756,175</u></u>	<u><u>709,731</u></u>

Notes to the financial statements

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

1. Organisation and activities

Bahrain Car Parks Company B.S.C. ("the Company") is a public Bahraini shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 11455 obtained on 31 October 1981.

The principal activities of the Company include the construction and operation of car parks and the management of investments in financial assets and investment properties.

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

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"), the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001 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 as modified by

the revaluation of investment properties and financial assets through profit or loss at their fair values. The financial statements have been presented in Bahrain Dinars which is the functional currency of the Company.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

Improvements/amendments to IFRS/IAS 2014/2016 cycle

Improvements/amendments to IFRS/IAS issued in 2014/2016 cycle 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 2017 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 2017

None of the amendments to Standards that were made effective in 2017 had any significant effect on these financial statements.





Notes to the financial statements

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

2. Basis of preparation (continued)

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

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

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 7	Statement of Cash Flows	1 January 2017
IAS 12	Income taxes	1 January 2017
IFRS 12	Disclosure of interest in other entities	1 January 2017

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

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2017. They have not been adopted in preparing the financial statements for the year ended 31 December 2017 and are expected to affect the entity in the period of initial application. 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 28	Investments in associates and joint ventures	1 January 2018
IAS 40	Investment property	1 January 2018
IFRS 2	Share-based payment	1 January 2018
IFRS 4	Insurance contracts	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

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

Early adoption of amendments or standards in 2017

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

Notes to the financial statements

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

3. Significant accounting policies

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

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 so as to write-off the cost of property, plant and equipment less their estimated residual values on a straight-line basis over their expected useful lives. Freehold land is not depreciated as it is deemed to have an infinite useful life. The major classes of depreciable assets with their estimated useful lives are as follows:

Building on leasehold land	30 years or the lease period, whichever is lower
Car park equipment	5 years
Office furniture and equipment	4 years

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.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values

exceed the estimated recoverable amounts, the carrying amounts are written-down immediately to their recoverable amounts.

Investments properties

Investment properties, representing a freehold building, are held to earn long-term rental yields and for capital appreciation.

Investment properties are treated as long-term investments and are initially recorded at cost, including all transaction costs. 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 Company. 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 fair values, representing open market values determined annually by external property valuers, and any unrealised fair value gains or losses arising are included in the statement of profit or loss and other comprehensive income in the year in which they arise. 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.

Investment properties are de-recognised 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 the de-recognition of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of de-recognition.



Notes to the financial statements

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

3. Significant accounting policies (continued)

Financial assets

The Company classifies its financial assets into one of the following categories: held-to-maturity investments, loans and receivables and financial assets at fair value through profit or loss. This classification depends on the purpose for which the asset is acquired.

a. Held-to-maturity investments

Investments with a fixed maturity date that management has the intention and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the statement of financial position date which are classified as current assets. Such investments are initially recognised at cost and are subsequently carried at amortised cost using the effective yield method. Any realised and unrealised gains or losses arising either from derecognition or impairment are recognised in the statement of profit or loss and other comprehensive income.

b. Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers and also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's loans and receivables comprise of trade and other receivables excluding prepayments

and cash and bank balances and fixed deposits in the statement of financial position.

Trade and other receivables

Trade receivables are carried at their anticipated realisable values. A provision is made for impaired trade receivables based on a review of all outstanding amounts at the year-end. Impaired trade receivables which are not considered recoverable are written-off when they are identified.

Fixed deposits

Fixed deposits are accounted for at historical cost. The accrued interest on the fixed deposits is recognised in the statement of profit or loss and other comprehensive income over the period of the deposit. Fixed deposits have original maturities of more than three months but less than twelve months.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash on hand and current account balances with banks.

c. Financial assets at fair value through profit or loss

All investments in equity instruments and contracts on those instruments are measured at fair value. Assets in this category are classified as current assets if expected to be settled within 12 months otherwise they are classified as non-current.

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction

Notes to the financial statements

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

3. Significant accounting policies (continued)

Financial assets (continued)

costs. Financial assets at fair value through profit or loss are subsequently re-measured at their fair values and any changes in fair values of such investments, subsequent to initial recognition, are included in the statement of profit or loss and other comprehensive income.

Fair values of investments listed on active markets are determined by reference to the quoted market prices at the statement of financial position date. Financial assets at fair value through profit or loss that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are stated at cost and are subject to a review for impairment.

Financial liabilities

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

Other payables

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 Company 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.

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.





Notes to the financial statements

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

3. Significant accounting policies (continued)

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.

Dividends and board remuneration

Dividends and board remuneration are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is recognised when declared by the directors. In the case of final dividends and board remuneration, this is recognised when approved by the shareholders at the Annual General Meeting.

Treasury shares

Shares of the Company reacquired at the statement of financial position date are designated as treasury shares until these are reissued or cancelled. The nominal value of the treasury shares is shown as a deduction from share capital. The gains and losses on sale of treasury shares are recognised in the statement of changes in shareholders' equity.

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 statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Revenue recognition

Operating income includes receipts from the car parks, rental and service charges in respect of investment properties and the revenue earned from investments in financial assets. Operating income is recognised on rendering of services.

Dividend income and other income is recognised in the statement of profit or loss and other comprehensive income when the Company's right to receive payment is established.

Contribution to charities

Charities are approved by the shareholders at the Annual General Meeting and contributions by the Company are recognised and transferred to the charity reserve in the year in which they are approved.

Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange 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 statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Notes to the financial statements

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

3. Significant accounting policies (continued)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Executive Committee members and the General Manager.

The Company's primary segment reporting format is business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

The Company's primary business segments are:

- Car park services;
- Property rentals; and
- Investment and related services

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

4. Critical accounting judgments and key source of estimation uncertainty

Preparation of financial statements in accordance with IFRS requires the Company'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 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 in these financial statements relate to:

- economic useful lives of property, plant and equipment;
- classification of investments;
- fair valuation of investments;
- fair valuation of investment properties;
- fair value measurement;
- impairment of assets;
- legal proceeding;
- going concern;
- provisions; and
- contingencies.

Economic useful lives of property, plant and equipment

The Company'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 periodically. 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 Company.

Classification of investments

In the process of applying the Company's accounting policies, management decides on acquisition of an investment whether it should be classified as investments designated at fair value through profit or loss, held-to-maturity or available-for-sale



Notes to the financial statements

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

4. Critical accounting judgments and key source of estimation uncertainty (continued)

investment securities. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Fair valuation of investments

The Company determines fair values of investments that are not quoted in active markets by using valuation techniques such as adjusted net asset valuation and recent transaction prices. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year are different from assumptions that could require a material adjustment to the carrying amount of the investments. In case where adjusted net asset valuation models have been used to estimate fair values, the adjustments to the net asset values have been estimated by the management based on information from and discussions with representatives of the management of the investee companies, and based on the latest available audited and un-audited financial statements.

Fair valuation of investment properties

The Company obtains valuations performed by external valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental

income, anticipated maintenance costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. The level of activity in the investment property market has been at a low level for the past few years, primarily because of the reduced availability of credit and, where credit is available, the increased cost of borrowing. The lack of comparable market transactions has resulted in a greater level of professional judgment being relied upon in arriving at valuations. Changes in the underlying assumptions could have a significant impact on the fair values presented.

Fair value measurement

A number of assets and liabilities included in the 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

Notes to the financial statements

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

4. Critical accounting judgments and key source of estimation uncertainty (continued)

Fair value measurement (continued)

of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Company that either require fair value measurements or only fair value disclosures as at 31 December 2017 is shown in Note 27.

Impairment of assets

The Company assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows counted at the assets' original effective profit rate. Losses are recognised in the statement of profit or loss and other comprehensive income and reflected in

an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of profit or loss and other comprehensive income.

(b) Other non-financial assets

The carrying amount of the Company's assets or its cash generating unit, other than financial assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset that generates cash flows that largely are independent from other assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Legal proceedings

The Company recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations



Notes to the financial statements

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

4. Critical accounting judgments and key source of estimation uncertainty (continued)

Legal proceedings (continued)

arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements could have a material effect on the Company's financial position. Application of these accounting principles to legal cases requires the Company's management to make determinations about various factual and legal matters beyond its control.

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

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.

Provisions

The Company creates provision for impaired trade receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2017, in the opinion of the Company's management, a provision of BD46,633 (2016: BD46,633) is required against impairment of trade receivables. When evaluating the adequacy of provision for impaired trade receivables, management bases its estimate on current overall economic conditions, ageing of the trade receivable 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 provision for impaired trade receivables recorded in these financial statements.

The Company also creates provision for slow-moving and obsolete inventories. At 31 December 2017, in the opinion of the Company's management, no provision is required towards slow-moving and obsolete inventories (2016: 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.

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 event.



Notes to the financial statements

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

5. Segmental information

Business segments – primary reporting segment

The Company's primary segment reporting format is business segment. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Company's primary business segments are:

- Car park services – This segment is involved in providing car parks for the public in return for parking charges and contributes the largest proportion of the Company's business, generating 33.86% (2016: 31.66%) of the Company's revenue.
- Property rental income - This segment is involved in the management, maintenance and renting of properties. This segment contributes 39.60% (2016: 58.33%) of the Company's revenue.
- Investment and related services – This segment is involved in trading in financial assets and investing excess funds in the primary and secondary market. This segment has contributed 26.54% (2016: 10.01%) of the Company's total revenue.





Notes to the financial statements

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

5. Segmental information (continued)

As at, and for the year ended, 31 December 2017

	Car park services		Property rental income		Investment	Unallocated	Total
	Main office	Others	Main office	Others	services		
Car park income (daily and card-holders)	456,325	56,255	-	-	-	-	512,580
Property rental income	-	-	483,219	-	-	-	483,219
Service charges income	-	-	116,248	-	-	-	116,248
Operating income	456,325	56,255	599,467	-	-	-	1,112,047
Net income from investments	-	-	-	-	401,777	-	401,777
Other income	-	3,297	-	-	-	-	3,297
Total revenue	456,325	59,552	599,467	-	401,777	-	1,517,121
Operating and general expenses (including maintenance costs)	119,279	8,992	547,389	-	-	-	675,660
Depreciation (Note 6)	3,128	681	33,126	-	-	-	36,935
Total operating and general expenses (including maintenance costs)	122,407	9,673	580,515	-	-	-	712,595
Unallocated expenses	-	-	-	-	-	4,581	4,581
Total expenses	122,407	9,673	580,515	-	-	4,581	717,176
Segment profits/(losses)	333,918	49,879	18,952	-	401,777	(4,581)	799,945
Reportable segment assets	315,558	2,462,289	231,937	-	10,394,550	-	13,404,334
Reportable segment liabilities	1,613	9,093	438,362	-	-	-	449,068
Other segment information							
Minimum operating lease commitment (Note 25)	240,000	-	-	-	-	-	240,000

Notes to the financial statements

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

5. Segmental information (continued)

As at, and for the year ended, 31 December 2016

	Car park services		Property rental income		Investment		Total
	Main office	Others	Main office	Others	services	Unallocated	
Car park income (daily and card-holders)	295,688	45,733	-	-	-	-	341,421
Property rental income	-	-	507,771	-	-	-	507,771
Service charges income	-	19,025	102,103	-	-	-	121,128
Operating income	295,688	64,758	609,874	-	-	-	970,320
Net income from investments	-	-	-	-	107,909	-	107,909
Other income	-	14,492	-	-	-	-	14,492
Total revenue	295,688	79,250	609,874	-	107,909	-	1,092,721
Operating and general expenses (including maintenance costs)	45,816	33,101	541,770	-	-	-	620,687
Depreciation (Note 6)	5,502	-	23,473	-	-	-	28,975
Total operating and general expenses (including maintenance costs)	51,318	33,101	565,243	-	-	-	649,662
Unallocated expenses	-	-	-	-	-	7,145	7,145
Total expenses	51,318	33,101	565,243	-	-	7,145	656,807
Segment profits/(losses)	244,370	46,149	44,631	-	107,909	(7,145)	435,914
Reportable segment assets	170,721	2,461,326	313,285	-	9,925,607	-	12,870,939
Reportable segment liabilities	-	-	358,104	-	-	-	358,104
Other segment information							
Minimum operating lease commitment (Note 25)	250,000	-	-	-	-	-	250,000

Geographical segments – secondary reporting segment

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Company's operations are restricted to the Kingdom of Bahrain; therefore no geographical segmental information has been presented.



Notes to the financial statements

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

6. Property, plant and equipment

	Freehold land	Building on leasehold land	Car park and other equipment	Office furniture and equipment	Total
Cost					
At 31 December 2015	2,487,226	8,138,413	29,715	56,464	10,711,818
Additions during the year	-	-	15,525	6,405	21,930
Disposals during the year	-	-	(29,715)	-	(29,715)
At 31 December 2016	2,487,226	8,138,413	15,525	62,869	10,704,033
Additions during the year	-	-	158,824	33,447	192,271
At 31 December 2017	<u>2,487,226</u>	<u>8,138,413</u>	<u>174,349</u>	<u>96,316</u>	<u>10,896,304</u>
Accumulated depreciation					
At 31 December 2015	-	7,826,422	24,000	41,275	7,891,697
Charge for the year (Note 19)	-	18,403	5,502	5,070	28,975
Impairment loss for the year (Note 19)	32,696	-	-	-	32,696
On disposals	-	-	(28,604)	-	(28,604)
At 31 December 2016	32,696	7,844,825	898	46,345	7,924,764
Charge for the year (Note 19)	-	18,352	9,160	9,423	36,935
At 31 December 2017	<u>32,696</u>	<u>7,863,177</u>	<u>10,058</u>	<u>55,768</u>	<u>7,961,699</u>
Net book amount					
At 31 December 2017	<u>2,454,530</u>	<u>275,236</u>	<u>164,291</u>	<u>40,548</u>	<u>2,934,605</u>
At 31 December 2016	<u>2,454,530</u>	<u>293,588</u>	<u>14,627</u>	<u>16,524</u>	<u>2,779,269</u>

The land on which the car park building is constructed has been leased from the Government of the Kingdom of Bahrain for a period of 50 years commencing from the year 1982 (Note 25).



Notes to the financial statements

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

7. Financial assets at fair value through profit or loss

	31 December <u>2017</u>	31 December <u>2016</u>
Opening balance	3,238,463	3,441,725
Unrealised fair value gains/(losses) for the year (Note 18)	<u>106,515</u>	<u>(203,262)</u>
Closing balance	<u>3,344,978</u>	<u>3,238,463</u>

The above investments are classified as follows:

	31 December <u>2017</u>	31 December <u>2016</u>
Shares listed on the Bahrain Stock Exchange	2,872,221	2,765,706
Unquoted equity shares	<u>472,757</u>	<u>472,757</u>
	<u>3,344,978</u>	<u>3,238,463</u>

The above financial assets at fair value through profit or loss are stated at their fair values. In absence of most recent financial information, unquoted equity investments are kept on their carrying values which in the opinion of the Company's management are the best estimate of their fair values.

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

Currency	31 December <u>2017</u>	31 December <u>2016</u>
United States Dollar	501,806	485,727
Bahrain Dinar	<u>2,843,172</u>	<u>2,752,736</u>
	<u>3,344,978</u>	<u>3,238,463</u>

8 Held-to-maturity investments

	31 December <u>2017</u>	31 December <u>2016</u>
Ahli United Bank Perpetual Tier 1 Capital Securities	<u>380,871</u>	<u>380,871</u>

Held-to-maturity investments represent bonds carrying coupon interest of 6.875%, having maturity period of 5 years and are denominated in United States Dollars.





Notes to the financial statements

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

9. Investment properties

	31 December <u>2017</u>	31 December <u>2016</u>
Opening balance	481,360	489,578
Impairment loss for the year (Note 19)	<u>-</u>	<u>(8,218)</u>
Closing balance	<u><u>481,360</u></u>	<u><u>481,360</u></u>

Investment properties were fair valued by independent property valuer as at 31 December 2017 at open market values, which represent the prices at which the properties could be exchanged between knowledgeable willing buyers and knowledgeable willing sellers in an arm's length transaction. However, the management has not recognised the fair value gains amounting to BD10,684 arising from the independent property valuation report.

10. Fixed deposits

	31 December <u>2017</u>	31 December <u>2016</u>
Fixed deposit with banks maturing after 3 months but within 1 year	5,375,417	3,333,813
Fixed deposit with banks maturing after 1 year	<u>-</u>	<u>1,500,000</u>
	<u><u>5,375,417</u></u>	<u><u>4,833,813</u></u>

Fixed deposits held with the Company's bankers earn interest at rates ranging between 1.95% and 4.00% per annum (2016: between 1.25% and 3.8% per annum for the short term deposits and 5.95% per annum for the long term deposit) are denominated in Bahrain Dinars and have maturities ranging between three months to three years.

11. Trade and other receivables

	31 December <u>2017</u>	31 December <u>2016</u>
Rents receivable from tenants	106,821	167,509
Less: provision for impaired rents receivable from tenants	(46,633)	(46,633)
	60,188	120,876
Accrued interest	54,469	281,799
Advances paid to creditors	4,066	21,975
Staff advances (Note 24)	4,000	12,950
Prepayments and other receivables	<u>3,052</u>	<u>1,362</u>
	<u><u>125,775</u></u>	<u><u>438,962</u></u>

Notes to the financial statements

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

11. Trade and other receivables (continued)

The Company's rent receivables are generally on 30 days credit terms and are primarily denominated in Bahrain Dinar.

The movement in provision for impaired rents receivables from tenants is as follows:

	31 December <u>2017</u>	31 December <u>2016</u>
At 1 January	46,633	43,208
Provision for the year (Note 19)	<u>-</u>	<u>3,425</u>
At 31 December	<u><u>46,633</u></u>	<u><u>46,633</u></u>

As at 31 December, the ageing of unimpaired rents receivable from tenants is as follows:

	<u>Total</u>	<u>Neither past due not impaired Less than 3 months</u>	<u>Past due but not impaired More than 3 months</u>
At 31 December 2017	<u><u>60,188</u></u>	<u><u>59,412</u></u>	<u><u>776</u></u>
At 31 December 2016	<u><u>120,876</u></u>	<u><u>42,506</u></u>	<u><u>78,370</u></u>

Un-impaired rents receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over rents receivable and these are all unsecured. In the opinion of the Company's management, the fair values of the trade and other receivables approximate to their carrying values.

12. Cash and bank balances

	31 December <u>2017</u>	31 December <u>2016</u>
Cash on hand	477	430
Current account balances with banks	<u>755,698</u>	<u>709,301</u>
	<u><u>756,175</u></u>	<u><u>709,731</u></u>

The current account balances with banks earn interest rate ranging from 0% to 2.5% per annum (2016: 0.6% per annum).



Notes to the financial statements

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

13. Share capital

	31 December <u>2017</u>	31 December <u>2016</u>
Authorised:		
100,000,000 ordinary shares of 100 fils each (2016: 100,000,000 ordinary shares of 100 fils each)	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid-up:		
70,317,230 ordinary shares of 100 fils each (2016: 70,317,230 ordinary shares of 100 fils each)	7,031,723	7,031,723
Less: Purchase of 1,014,559 treasury shares of 100 fils each (2016: 1,014,559 treasury shares of 100 fils each)	<u>(101,456)</u>	<u>(101,456)</u>
	<u>6,930,267</u>	<u>6,930,267</u>

Additional information on shareholding pattern

(i) The names and nationalities of the major shareholders and the number of shares held which constitute an interest of 5% or more of the outstanding shares are as follows:

	<u>At 31 December 2017</u>		
	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
Social Insurance Organisation	Bahraini	37,033,490	52.67%
Kuwait Commercial Real Estate Centre	Kuwaiti	15,000,000	21.33%

	<u>At 31 December 2016</u>		
	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
Social Insurance Organisation	Bahraini	37,033,490	52.67%
Kuwait Commercial Real Estate Centre	Kuwaiti	15,000,000	21.33%



Notes to the financial statements

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

13. Share capital (Continued)

Additional information on shareholding pattern

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

(iii) The distribution schedule of equity shares, setting out the number of shareholders and percentages in the following categories, is as follows:

	<u>At 31 December 2017</u>		
	<u>Number</u>	<u>Number</u>	<u>Percentage</u>
	<u>of shareholders</u>	<u>of shares</u>	<u>of total</u>
			<u>outstanding</u>
			<u>shares</u>
Less than 1%	1,303	10,762,283	15.30%
1% and up to less than 5%	4	7,521,457	10.70%
5% and above	2	52,033,490	74.00%
	<u>1,309</u>	<u>70,317,230</u>	<u>100.00%</u>

	<u>At 31 December 2016</u>		
	<u>Number</u>	<u>Number</u>	<u>Percentage</u>
	<u>of shareholders</u>	<u>of shares</u>	<u>of total</u>
			<u>outstanding</u>
			<u>shares</u>
Less than 1%	1,314	10,762,283	15.30%
1% and up to less than 5%	4	7,521,457	10.70%
5% and above	2	52,033,490	74.00%
	<u>1,320</u>	<u>70,317,230</u>	<u>100.00%</u>

(iv) The details of number of shares held by the Directors of the Company at 31 December is as follows:

	<u>31 December</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>
	<u>Number</u>	<u>Number</u>
	<u>of shares</u>	<u>of shares</u>
Mahmood Mahmood Husain	-	100,000
Jasim Mohamed Murad	-	100,000
Ahmed Yusuf Mahmood Husain	-	100,000
Yusuf Abdulrahman Fakhro	<u>100,000</u>	<u>-</u>





Notes to the financial statements

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

14. Reserves

a) Statutory reserve

	31 December <u>2017</u>	31 December <u>2016</u>
Opening balance	2,869,545	2,825,954
Transferred during the year	<u>79,995</u>	<u>43,591</u>
Closing balance	<u><u>2,949,540</u></u>	<u><u>2,869,545</u></u>

In accordance with 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.

b) Retained earnings

	31 December <u>2017</u>	31 December <u>2016</u>
Opening balance	2,707,123	2,671,314
Net profit and total comprehensive income for the year	799,945	435,914
Dividends paid during the year (Note 22)	(346,514)	(346,514)
Transferred to statutory reserve	(79,995)	(43,591)
Charity reserve created during the year	<u>(10,000)</u>	<u>(10,000)</u>
Closing balance	<u><u>3,070,559</u></u>	<u><u>2,707,123</u></u>

15. 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 2017 amounted to BD19,749 (2016: BD10,944).

Expatriate employees

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



Notes to the financial statements

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

15. Employees' terminal benefits (Continued)

	31 December <u>2017</u>	31 December <u>2016</u>
Opening balance	24,171	21,141
Accruals for the year	5,460	10,480
Payments during the year	<u>(6,866)</u>	<u>(7,450)</u>
Closing balance	<u><u>22,765</u></u>	<u><u>24,171</u></u>
The number of staff employed by the Company	<u><u>18</u></u>	<u><u>14</u></u>

16. Other payables

	31 December <u>2017</u>	31 December <u>2016</u>
Other payables	339,980	209,465
Unclaimed dividends	74,718	88,870
Advances received from tenants	1,619	30,776
Provision for leave salary and air passage	<u>9,986</u>	<u>4,822</u>
	<u><u>426,303</u></u>	<u><u>333,933</u></u>

In the opinion of the management, the fair values of the other payables approximate to their carrying values.

17. Operating income

	Year ended 31 December <u>2017</u>	Year ended 31 December <u>2016</u>
Rental income	483,219	507,771
Main building car park income	456,325	295,688
Other car park income	56,255	45,733
Service charges income	<u>116,248</u>	<u>121,128</u>
	<u><u>1,112,047</u></u>	<u><u>970,320</u></u>





Notes to the financial statements

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

18. Net income from investments

	Year ended 31 December <u>2017</u>	Year ended 31 December <u>2016</u>
Interest on fixed deposits	152,614	173,552
Dividend income	110,501	110,260
Interest on current account	6,225	1,578
Interest on held-to-maturity investments	25,922	25,781
Unrealised fair value gains/(losses) on financial assets at fair value through profit or loss (Note 7)	<u>106,515</u>	<u>(203,262)</u>
	<u><u>401,777</u></u>	<u><u>107,909</u></u>

19. Operating, general and administrative expenses

	Year ended 31 December <u>2017</u>	Year ended 31 December <u>2016</u>
Other operating, general and administrative expenses	261,988	238,546
Staff costs	247,079	169,655
Lease rent expenses	101,596	81,994
Maintenance costs	64,997	86,153
Depreciation (Note 6)	36,935	28,975
Impairment loss on property, plant and equipment (Note 6)	-	32,696
Impairment loss on investment properties (Note 9)	-	8,218
Provision for impaired rent receivable from tenants (Note 11)	<u>-</u>	<u>3,425</u>
	<u><u>712,595</u></u>	<u><u>649,662</u></u>

20. Directors' remuneration

Accrued and expensed

An amount of BD4,581 has been accrued and expensed as directors remuneration in 2017, relating to the year ended 31 December 2016 (2016: BD7,145 for the year ended 31 December 2015). The payment was approved by the shareholders in the Annual General Meeting held on 22 March 2017 (2015: 21 March 2016). Directors' remuneration is only expensed in the statement of profit or loss and other comprehensive income in the year in which it is approved.



Notes to the financial statements

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

20. Directors' remuneration (Continued)

Proposed by the Board of Directors

The Board of Directors of the Company have proposed to pay a Directors' remuneration of BD37,343 for the year ended 31 December 2017 (2016: BD4,581 for the year 31 December 2016). Such proposed remuneration only becomes payable once it has been approved by the shareholders in the Annual General Meeting, and accordingly, has not been accounted for in these financial statements.

21. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued during the year.

	Year ended 31 December <u>2017</u>	Year ended 31 December <u>2016</u>
Net profit attributable to the shareholders	<u>799,945</u>	<u>435,914</u>
Weighted average number of ordinary shares (Note 13)	<u>69,302,670</u>	<u>69,302,670</u>
Basic and diluted earnings per share	<u>12 fils</u>	<u>6 fils</u>

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

22. Dividends

Declared and paid

A dividend of BD346,514 representing 5% of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2016 (at 5 fils per share) (2016: BD346,514 for the year ended 31 December 2015 at 5 fils per share), was approved by the shareholders in the Annual General Meeting of the shareholders held on 22 March 2017 (2015: 21 March 2016), declared and subsequently paid.

Proposed by the Board of Directors

The Board of Directors of the Company have proposed a dividend of BD346,514 (2016: BD346,514) representing 5% of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2017 at 5 fils per share (2016: at 5 fils per share). 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 financial statements.





Notes to the financial statements

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

23. Contribution to charity

Proposed by the Board of Directors

The Board of Directors of the Company have proposed charity contributions of BD10,000 for the year ended 31 December 2017 (2016: BD10,000).

24. 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 shareholders, directors, key management personnel and their close family members and such other companies over which the Company or its 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.

The following is a summary of the significant transactions entered into with the related parties during the year ended 31 December:

	Year ended 31 December 2017	Year ended 31 December 2016
Directors' remuneration	<u>4,581</u>	<u>7,145</u>
Board of directors meeting attendance fee	<u>53,100</u>	<u>28,300</u>
Rental income	<u>-</u>	<u>9,412</u>

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company.

A summary of the amount due from a related party as at 31 December is as follows:

	31 December 2017	31 December 2016
Included in staff advances (Note 11)	<u>-</u>	<u>9,850</u>



Notes to the financial statements

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

25. Lease commitments

The annual rent for the land upon which the car park building is situated is revised every ten years; the amount payable being the higher of a fixed element increase or a percentage of the Company's gross operating profit. The current year's charge of BD101,596 (10% of the gross operating profit generated), is included under operating, general and administrative expenses (2016: BD81,994).

The minimum lease commitments under the mentioned non-cancellable operating leases are as follows:

	<u>31 December</u> <u>2017</u>	<u>31 December</u> <u>2016</u>
Less than 1 year	10,000	10,000
More than 1 year and less than 5 years	40,000	40,000
More than 5 years	<u>190,000</u>	<u>200,000</u>
	<u><u>240,000</u></u>	<u><u>250,000</u></u>

26. Capital commitments

The Company does not have any capital commitments as at 31 December 2017 (2016: BDNil).

27. Financial assets and liabilities and risk management

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, fixed deposits, financial assets at fair value through profit or loss, held-to-maturity investments, trade and other receivables excluding prepayments and other payables excluding employees' benefits. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Capital management

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services that commensurate with the level of risk.

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 2017 and 2016.

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, other payables less cash and bank balances. Capital includes share capital and reserves attributable to the shareholders of the Company.





Notes to the financial statements

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

27. Financial assets and liabilities and risk management (Continued)

	31 December <u>2017</u>	31 December <u>2016</u>
Other payables	426,303	333,933
Less: cash and bank balances	<u>(756,175)</u>	<u>(709,731)</u>
Net surplus	<u>(329,872)</u>	<u>(375,798)</u>
Share capital, net of treasury shares	6,930,267	6,930,267
Statutory reserve	2,949,540	2,869,545
Charity reserve	4,900	5,900
Retained earnings	<u>3,070,559</u>	<u>2,707,123</u>
Total capital	<u>12,955,266</u>	<u>12,512,835</u>
Total capital and net surplus	<u><u>12,625,394</u></u>	<u><u>12,137,037</u></u>

The Company does not have any debt at 31 December 2017 and 2016 therefore the calculation of capital gearing ratio is not considered necessary.

Risk management is carried out by the Finance Department of the Company under policies approved by the Board of Directors. The Company's Finance Department evaluates financial risks in close co-operation with the Company's operating units. The Directors provide principles for overall risk management, as well as policies covering specific areas.





Notes to the financial statements

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

27. Financial assets and liabilities and risk management (Continued)

Principal financial instruments

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

- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Trade and other receivables excluding prepayments
- Fixed deposits
- Cash and bank balances
- Other payables excluding employee benefits

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

	<u>Loans and receivables</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Held to maturity investments</u>
<u>Financial assets</u>			
Financial assets at fair value			
through profit or loss	-	3,344,978	-
Held-to-maturity investments	-	-	380,871
Trade and other receivables excluding			
prepayments	114,657	-	-
Fixed deposits	5,375,417	-	-
Cash and bank balances	756,175	-	-
Total financial assets	<u>6,246,249</u>	<u>3,344,978</u>	<u>380,871</u>

<u>Financial liabilities</u>		<u>Financial liabilities at amortised cost</u>
Other payables, excluding		
employee benefits		414,698
Total financial liabilities		<u>414,698</u>





Notes to the financial statements

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

27. Financial assets and liabilities and risk management (Continued)

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

	<u>Loans and receivables</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Held to maturity investments</u>
<u>Financial assets</u>			
Financial assets at fair value			
through profit or loss	-	3,238,463	-
Held-to-maturity investments	-	-	380,871
Trade and other receivables excluding prepayments	402,675	-	-
Fixed deposits	4,833,813	-	-
Cash and bank balances	<u>709,731</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>5,946,219</u>	<u>3,238,463</u>	<u>380,871</u>
<u>Financial liabilities</u>			
			<u>Financial liabilities at amortised cost</u>
Other payables, excluding employee benefits			<u>298,335</u>
Total financial liabilities			<u>298,335</u>

Risk management (continued)

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's bank balances and fixed deposits are placed with national and multinational banks with good credit ratings. The Company's investments are placed with national banks which have good credit ratings and other companies listed in the stock exchanges. Concentrations of credit risk with respect to rents receivable from tenants are limited due to the Company's large number of tenants. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's rents receivable.

The Company does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated. Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 11 to these financial statements.

Notes to the financial statements

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

27. Financial assets and liabilities and risk management (Continued)

Risk management (continued)

	<u>At 31 December 2017</u>	
	<u>Carrying value</u>	<u>Maximum exposure</u>
<i>Financial assets</i>		
Trade and other receivables excluding prepayments	114,657	114,657
Fixed deposits	5,375,417	5,375,417
Cash and bank balances	<u>756,175</u>	<u>755,698</u>
Total financial assets	<u><u>6,246,249</u></u>	<u><u>6,245,772</u></u>

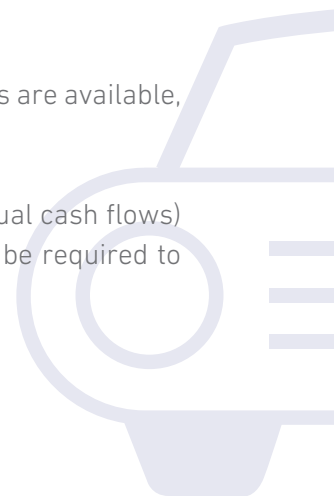
	<u>At 31 December 2016</u>	
	<u>Carrying value</u>	<u>Maximum exposure</u>
<i>Financial assets</i>		
Trade and other receivables excluding prepayments	402,675	402,675
Fixed deposits	4,833,813	4,833,813
Cash and bank balances	<u>709,731</u>	<u>709,301</u>
Total financial assets	<u><u>5,946,219</u></u>	<u><u>5,945,789</u></u>

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Held-to-maturity investments, fixed deposits and current account earn fixed rates of interest. The Company's other assets and liabilities, in the opinion of the Company's management, are not considered to be sensitive to interest rate risk. The hypothetical effect of 100 basis points interest rate increase or decrease on profits would be approximately BD7,557 (2016: BD7,097).

Liquidity 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.

Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available, to meet all liabilities as they fall due.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of non-derivative financial liabilities based on the earliest date on which the Company can be required to make payments.





Notes to the financial statements

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

27. Financial assets and liabilities and risk management (Continued)

Liquidity risk (continued)

At 31 December 2017	<u>Less than</u> <u>1 year</u>	<u>Total</u>
Non-interest bearing instruments	<u>414,698</u>	<u>414,698</u>
At 31 December 2016	<u>Less than</u> <u>1 year</u>	<u>Total</u>
Non-interest bearing instruments	<u>298,335</u>	<u>298,335</u>

Price risk is the risk that the Company is exposed to listed securities price risk because of investments held by the Company and classified in the statement of financial position as financial assets through profit or loss. To manage its price risk arising from investments in listed 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 is as follows:

Description	<u>Change</u>	<u>Impact on equity</u>	
		<u>31 December 2017</u>	<u>31 December 2016</u>
Quoted financial assets through profit or loss	<u>+/-5%</u>	<u>+/- 143,611</u>	<u>+/- 138,285</u>

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rate, currency rate, and equity price risk. The Company closely monitors the market forces and suitably revises the strategy to minimize the market risk.

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 financial assets at fair value through profit or loss are primarily in United States Dollars and Bahrain Dinar. The Bahrain Dinar is effectively pegged to the United States Dollar. Accordingly management assesses the Company's exposure to currency rate risk as insignificant.

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems or external events. The Company seeks to minimise this risk by continuous framing policies and procedures to identify, control and manage these risks.

Notes to the financial statements

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

27. Financial assets and liabilities and risk management (Continued)

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, fixed deposits and other payables excluding employees' benefits. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2017.

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 unobservable inputs and fair value:

	<u>Fair value at 31 December</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>Non-financial assets</i>					
Investment properties	481,360 (2016: 481,360)	L2	Independent valuation report	Current market rates	Positive correlation between market rates and fair values
<i>Financial assets</i>					
Quoted investments	2,872,221 (2016: 2,765,706)	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted investments	472,757 (2016: 472,757)	L3	Net assets valuation and financial updates received from the fund managers. Where such figures are not available, these are carried at cost.	Expected revenue and profit growth rates taking into account management knowledge and experience of market conditions similar to industry trends	The higher the revenue growth rate, the higher the fair value





Notes to the financial statements

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

27. Financial assets and liabilities and risk management (Continued)

Fair value measurement

There are no transfers between levels during the year.

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

	<u>Unquoted investments</u>	
	<u>31 December</u> <u>2017</u>	<u>31 December</u> <u>2016</u>
Closing balance	<u><u>472,757</u></u>	<u><u>472,757</u></u>

Investment risk is defined as the uncertainty about the future benefits to be realised from an investment. The Company has well-defined policies for managing investment risk. These policies cover investment authority limits and investment assessment practices. The Finance Department study the impact of transactions on the Company's statement of financial position and monitor the investment portfolio on a continuous basis. Every investment application is reviewed by a designated body depending on the size and the nature of the transaction. Fair valuation is generally conducted on a quarterly basis. The Company has a policy to ensure the conservatism convention and to make the necessary provisions when they are warranted.

Legal risk includes the risk of unexpected losses from transactions and/or contracts not being enforceable under applicable laws or from unsound documentation. The Company deals with external law firm to support it in managing the legal risk.

Reputation risk is the risk that negative perception regarding the Company's business practices or internal controls, whether true or not, will cause a decline in the Company's investor base and lead to costly litigations which could have an adverse impact on the liquidity of the Company. The Board of Directors examines the issues that are considered to have reputation repercussions for the Company and issues directives to address these.

28. Events after reporting date

There were no significant events subsequent to 31 December 2017 and occurring before the date of approval of the financial statement that are expected to have a major impact on these financial statements.