Bahrain Duty Free Shop Complex BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

Bahrain Duty Free Shop Complex BSC
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شركة مجمع البحرين للأسواق الحرة ش. م. ب
ص. ب: ١٧١٤، المنامة، مملكة البحرين
هاتف: ١٧٧٢٣١٠٠ ٩٧٣+، فاكس: ١٧٧٢٣٧٣٩ ٩٧٣+
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Bahrain Duty Free Shop Complex BSC

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015

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GENERAL INFORMATION

Bahrain Duty Free Shop Complex BSC, a joint stock company governed by the Bahrain Commercial Company Law 2001, was registered under commercial registration number 23509 on 15 July 1990. The company is a 80% shareholder in Bahrain International Retail Development Centre WLL, which was established in July 2000 and a 25% shareholding in Bahrain International Airport Development Co. W.L.L.

SHARE CAPITAL		
Authorised	:	BD 11,758,012 (2014: BD 10,689,102) divided into 117,580,114 shares (2014: BD 106,891,013 shares) of 100 fils each
Issued and fully paid-up	:	BD 11,758,012 (2014: BD 10,689,102)
THE BOARD OF DIRECTORS	:	Farouk Yousuf Almoayyed (Chairman) : Abdulla Buhindi (Managing Director) : Jalal Mohamed Jalal : Jassim Mohammed Al Shaikh : Shaikh Mohamed bin Ali bin Mohamed Al Khalifa : Jawad Al Hawaj : Nabeel Al Zain : Mohammed Al Khan : Ghassan Al Sabbagh : Mazen Ibrahim Abdulkarim
INVESTMENT COMMITTEE	:	Farouk Yousuf Almoayyed Abdulla Buhindi Shaikh Mohamed bin Ali bin Mohamed Al Khalifa Mazen Ibrahim Abdulkarim
AUDIT COMMITTEE	:	Jawad Al Hawaj Mohammed Al Khan Nabeel Al Zain Ghassan Al Sabbagh
NOMINATION, REMUNERATION AND GOVERNANCE COMMITTEE	:	Farouk Yousuf Almoayyed Abdulla Buhindi Jalal Mohamed Jalal
MANAGING AGENT	:	Aer Rianta International (Middle East) WLL
MANAGEMENT	:	Fadi Allam — General Manager Bassam Alwardi — Deputy General Manager Dominic Carroll — Head of Finance & Compliance Officer Shane O'Sullivan — Head of Purchasing Domnick O'Reilly — Head of Operations
COMPANY SECRETARY	:	Abdul Wahid Noor
OFFICES	:	Al Barsh'aa Building, Bldg No. 145, Road 2403, Muharraq 224 Telephone 17 723100, Fax 17 725511 Bahrain International Airport, P.O. Box 1714 Telephone 17 321330, Fax 17 321910
AUDITORS	:	KPMG Fakhro
BANKERS	:	BBK BSC Ahli United Bank BSC National Bank of Bahrain BSC Kuwait Finance House BSC (c)
REGISTRARS	:	Karvy Computershare WLL P.O. Box 514, Manama, Kingdom of Bahrain

CHAIRMAN'S REPORT

On behalf of the board of directors at Bahrain Duty Free, it gives me great pleasure to present the 2015 Annual Report. I am pleased to report that the Group posted a strong overall performance achieving record profitability in 2015 and enhancing shareholder value.

Our financial results for 2015 were marked by good growth in sales where the Company achieved a 3.3% increase over prior year. Earnings were further boosted by strong gains coming from our Investment Portfolio. I am proud to say that Bahrain Duty Free has made important strategic progress to ensure continued success for our Company.

Financial Highlights
For the full year 2015, the Group reported Gross Revenues of BD29.0M (BD28.1M in 2014) achieving a 3.3% growth over prior year. Reduced inventory provisions grew gross profit by 4.9%, while operating costs were well controlled and produced savings of 7.1% on expenses compared to the previous year. Operating profit, taking the above into account grew to BD5.2M a growth of 14.3% over last year. Investment income for the year was BD3.4M down on prior year by 9.7%. This reduction was mainly attributable to an exceptional gain in 2014 on the disposal of an investment property. Net Profits recorded was BD8.9M producing another solid growth with a 4.4% increase compared to 2014. Basic earnings per share rose to 76 fils per share compared with 73 fils in 2014.

At December year end, total shareholder's equity stood at BD48.2M an increase of 7.8% compared to BD44.7M in 2014, while total assets stood at BD54.5M reflecting the ever increasing performance and strength of our financial position. Our investment portfolio consisting of Equities and Properties now totals BD27.2M falling by 4.9% due to the disposal of some investments during the year. The portfolio remains strong and well balanced.

Operation Highlights
Passenger volumes increased by 5.9% compared to last year. Several successful marketing initiatives were introduced which contributed significantly to increased sales. These initiatives included a new cash back promotion introduced in January which ran throughout the year and a successful "Shop and Collect" promotion during EID, where customers experienced the benefits of buying in departures and collecting in the Arrivals shop on their return journey. From a technical viewpoint, the Company made many new improvements. In June, the Company launched the Sharepoint intranet website. This new website has many excellent features comprising many automated processes which reduces paperwork and administration. It is also an excellent storage provider for Company documents. The web portal is specially designed to bring information together from diverse sources in a uniform way. In September, the Company upgraded it's Microsoft Navision ERP software system. This upgrade has again provided a solid base to make improvements in efficiency. In addition, the Warehouse Management System (WMS) implementation will be added in early 2016 to better manage inventory in our Warehouse. Following the successful deployment of the ERP system, "single swipe" at our cash points was introduced with the support of our credit card provider. Transaction processing time has now been reduced dramatically thus improving the shopping experience of our customers.

Proposed Appropriations
Based on the financial results, the Board of Directors has recommended for the approval of Shareholders at the upcoming Annual General Meeting, a full year cash dividend of 50 fils per share of which 20 fils per share was already paid during the year. The Board has also recommended the following additional appropriations:-

Bonus Share Issue of 10%
Proposed Charity Contribution BD 179,051

On behalf of my colleagues on the Board, may I extend my sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, His Royal Highness Prince Khalifa bin Salman Al Khalifa the Prime Minister, His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince & Deputy Supreme Commander for their continuing support.

The Board also extends it appreciation and gratitude for the continuing support of His Highness Shaikh Ali bin Khalifa Al Khalifa, Deputy Prime Minister and His Excellency Kamal bin Ahmed Mohammed Minister of Transportation and Telecommunications.

Thank you to our Shareholders, Stakeholders, Teams and Customers

To our shareholders' I thank you for the continued confidence placed in the Board. I also extend my gratitude to the staff and management of Bahrain Duty Free for their loyalty and support. My sincere thanks also to Bahrain Airport Company and Civil Aviation Authority for their guidance, support and assistance at the airport. I thank also the other concerned bodies whose objectives are to promote and market Bahrain International Airport. A final thank you to all our customers for their continued patronage and for choosing to shop at Bahrain Duty Free.

The year ahead

The Company will make a significant capital investment in 2016 to upgrade all shops in the departures area and will introduce many new brands in Watches and Perfumes and Cosmetics all aimed to give our customers a better shopping experience with a wider choice. This will position the business on a stronger foundation for sustainable growth and profitability in the years ahead. The continuing focus by all our people on improving the way we serve our customers coupled with strong financial discipline will enable us to pursue that growth and meet our long term objectives.

Farouk Yousuf Almoayyed
Chairman

9 February 2016

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
Bahrain Duty Free Shop Complex BSC
Kingdom of Bahrain

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Bahrain Duty Free Shop Complex BSC ("the Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements
The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements
As required by the Bahrain Commercial Companies Law, we report that:
a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG

KPMG Fakhro
Partner Registration No. 187
9 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

Bahraini dinars

	Note	2015	2014
ASSETS			
Property and equipment	4	2,068,595	2,390,971
Investment property	5	4,243,049	5,579,102
Equity accounted investee	6	197,178	223,033
Available-for-sale investments	7	22,992,988	23,074,154
Non-current assets		**29,501,810**	31,267,260
Inventories	8	2,962,296	2,701,289
Receivables and other assets	9	6,936,688	6,967,920
Cash and Bank balances	10	15,150,404	11,952,331
Current assets		**25,049,388**	21,621,540
Total assets		**54,551,198**	52,888,800
EQUITY AND LIABILITIES			
Equity			
Share capital	11	11,758,012	10,689,102
Share premium		1,952,560	1,952,560
Statutory reserve		5,891,006	5,356,551
Investments fair value reserve		7,428,307	7,056,616
Retained earnings		21,203,072	19,583,300
Equity attributable to owners of the company		**48,232,957**	44,638,129
Non-controlling interest		14,897	102,186
Total equity		**48,247,854**	44,740,315
Liabilities			
Employees' benefits	12	405,559	632,524
Non-current liabilities		**405,559**	632,524
Payables and other liabilities	13	3,655,831	4,585,655
Royalty payable	14	2,241,954	2,930,306
Current liabilities		**5,897,785**	7,515,961
Total liabilities		**6,303,344**	8,148,485
Total equity and liabilities		**54,551,198**	52,888,800

The consolidated financial statements, which consist of pages 5 to 35 were approved by the Board of Directors on 9 February 2016 and signed on its behalf by:

Farouk Yousuf Almoayyed
Chairman

Abdulla Buhindi
Managing Director

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2015

Bahraini dinars

	Note	2015	2014
Revenue		**28,999,525**	28,079,807
Cost of sales		(15,583,260)	(15,288,769)
Gross profit		**13,416,265**	12,791,038
Other income	15	1,593,983	1,404,621
Administrative expenses	16	(4,691,632)	(4,809,427)
Royalty	14	(3,753,336)	(3,122,306)
Other operating expenses		(903,814)	(1,048,298)
Selling expenses		(488,575)	(690,638)
Operating profit		**5,172,891**	4,524,990
Finance income		369,665	310,548
Investment income	17	3,381,073	3,745,910
Impairment of investments		-	(36,480)
Share of profit in equity - accounted investee	6	11,646	12,711
Profit for the year		**8,935,275**	8,557,679
Profit attributable to:			
Owners of the Company		8,952,564	8,554,719
Non-controlling interest		(17,289)	2,960
		8,935,275	8,557,679
Basic and diluted earnings per share (in fils)	20	**76**	73

The consolidated financial statements, which consist of pages 5 to 35 were approved by the Board of Directors on 9 February 2016 and signed on its behalf by:

Farouk Yousuf Almoayyed
Chairman

Abdulla Buhindi
Managing Director

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPEREHENSIVE INCOME
for the year ended 31 December 2015

Bahraini dinars

	2015	2014
Profit for the year	**8,935,275**	8,557,679
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Fair value changes on available-for-sale securities	372,458	667,773
Transferred to profit or loss on sale of available- for- sale securities	(767)	(73,883)
Total comprehensive income for the year	**9,306,966**	9,151,569
Total comprehensive income attributable to:		
Owners of the company	9,324,255	9,148,609
Non-controlling interest	(17,289)	2,960
	9,306,966	9,151,569

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

Bahraini dinars

	Equity attributable to owners of the company						Non-controlling interest	Total equity
	Share capital	Share Premium	Statutory reserve	Investments fair value reserve	Retained earnings	Total		
At 1 January 2015	10,689,102	1,952,560	5,356,551	7,056,616	19,583,300	44,638,129	102,186	44,740,315
Profit for the year	-	-	-	-	8,952,564	8,952,564	(17,289)	8,935,275
Other comprehensive income	-	-	-	**371,691**	-	**371,691**	-	**371,691**
Total comprehensive income for the year (page 7)	-	-	-	**371,691**	**8,952,564**	**9,324,255**	**(17,289)**	**9,306,966**
Bonus shares issue	1,068,910	-	-	-	(1,068,910)	-	-	-
Transfer to statutory reserve	-	-	534,455	-	(534,455)	-	-	-
Final dividend declared (2014)	-	-	-	-	(3,206,731)	(3,206,731)	(10,000)	(3,216,731)
Interim dividend paid (2015)	-	-	-	-	(2,351,602)	(2,351,602)	-	(2,351,602)
Dividend for subsidiary (2015)	-	-	-	-	-	-	(60,000)	(60,000)
Charity contributions declared (2014)	-	-	-	-	(171,094)	(171,094)	-	(171,094)
At 31 December 2015	**11,758,012**	**1,952,560**	**5,891,006**	**7,428,307**	**21,203,072**	**48,232,957**	**14,897**	**48,247,854**

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015 *(continued)*

Bahraini dinars

	Equity attributable to owners of the company							Non-controlling interest	Total equity
	Share capital	Share Premium	Statutory reserve	Investments fair value reserve	Property revaluation reserve	Retained earnings	Total		
At 1 January 2014	10,689,102	1,952,560	4,967,204	6,462,726	270,952	17,154,120	41,496,664	123,828	41,620,492
Profit for the year	-	-	-	-	-	8,554,719	8,554,719	2,960	8,557,679
Other comprehensive income	-	-	-	593,890	-	-	593,890	-	593,890
Total comprehensive income for the year (page 7)	-	-	-	593,890	-	8,554,719	9,148,609	2,960	9,151,569
Transfer on sale of revalued property	-	-	-	-	(270,952)	270,952	-	-	-
Transfer to statutory reserve	-	-	389,347	-	-	(389,347)	-	-	-
Final dividend declared (2013)	-	-	-	-	-	(3,741,186)	(3,741,186)	(24,602)	(3,765,788)
Interim dividend paid (2014)	-	-	-	-	-	(2,137,820)	(2,137,820)	-	(2,137,820)
Charity contributions declared (2013)	-	-	-	-	-	(128,138)	(128,138)	-	(128,138)
At 31 December 2014	10,689,102	1,952,560	5,356,551	7,056,616	-	19,583,300	44,638,129	102,186	44,740,315

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

Bahraini dinars

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from customers		28,094,152	27,220,724
Receipts from training services		197,674	576,129
Receipts from car promotions		777,057	463,829
Other receipts		1,277,758	1,485,730
		30,346,641	29,746,412
Payments for purchases		(16,292,928)	(15,525,078)
Car promotion expenses		(401,398)	(313,144)
Payments for management fees		(707,610)	(690,937)
Payments of royalty	14	(4,441,688)	(2,690,993)
Payments to charities		(77,000)	(34,500)
Payments for other operating expenses		(5,065,350)	(6,923,395)
Directors' remuneration paid		(168,000)	(168,000)
		(27,153,974)	(26,346,047)
Net cash generated from operating activities		**3,192,667**	3,400,365
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,106,950	118,779
Investment income received		3,728,813	3,934,047
Proceeds from disposal of investments		1,306,442	1,790,721
Acquisition of property and equipment	4	(156,150)	(368,556)
Acquisition of available-for-sale investments		482,468	(896,413)
Acquisition of investment property		-	(4,292,401)
Loan provided		-	(1,986,594)
Advance for investment property		(650,266)	-
Changes in bank deposits		(896,418)	3,465,703
Proceeds from sale of property and equipment		5,765	331,668
Net cash generated from investing activities		**4,927,604**	2,096,954
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(5,818,616)	(5,910,006)
Net cash used in financing activities		**(5,818,616)**	(5,910,006)
Net increase/ (decrease) in cash and cash equivalents		**2,301,655**	(412,687)
Cash and cash equivalents at 1 January		8,848,749	9,261,436
Cash and cash equivalents at 31 December	10	**11,150,404**	8,848,749

The accompanying notes 1 to 23 form an integral part of these consolidated financial statements.

1 STATUS AND OPERATIONS

Bahrain Duty Free Shop Complex BSC (the "Company") is a Bahrain registered Joint Stock Company and was registered under commercial registration number 23509 on 15 July 1990. The Company operates the Bahrain Airport duty free shops and Bahrain Sea Port duty free shop.

The Company owns 80 % of the shares of Bahrain International Retail Development Centre WLL (the "Subsidiary"), which provides training services in the Kingdom of Bahrain. The consolidated financial statements for the year ended 31 December 2015 comprise the financial statements of the Company and its Subsidiary (together referred to as the "Group") and the Group's interest in an associate. The Group owns 25% interest in Bahrain International Airport Development Company (BIADCO) (2014: 25%).

In the Board meeting of the subsidiary Bahrain International Retail Development Centre WLL held on 27 April 2015, the directors decided to cease the subsidiary operations by end of July 2015.

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Bahrain Commercial Companies Law, 2001.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for revaluation of freehold land and buildings and available-for-sale investments which are stated at fair value.

c) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Bahraini Dinar, which is the Group's functional and presentation currency. Except where otherwise stated, all financial information presented has been rounded off to the nearest Dinar.

d) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or in the period of the revision and any future period, if the revision affects both current and future periods.

2 *BASIS OF PREPARATION (continued)*

(i) Impairment of inventories
The Group reviews the carrying amounts of inventory at each reporting date to determine whether the inventories have been impaired. The Group identifies the inventories which have been impaired based on the age of the inventory and their estimate of the future demand for the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience relating to disposal of such inventory.

(ii) Impairment of receivables
The Group reviews the carrying amounts of receivables at each reporting date to determine whether the receivables have been impaired. The Group identifies the receivables which have been impaired based on the financial condition of the counterparty and estimated future cash flows. If any impairment exists, the recoverable amount of the impaired receivable is estimated based on the future cash flows estimated.

(iii) Useful life and residual value of property and equipment
The Group reviews the useful life and residual value of the property and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

e) New standards, amendments and interpretations effective from 1 January 2015

The following standards, amendments and interpretations, which became effective as of 1 January 2015, are relevant to the Group:

(i) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

The above amendments do not have any impact on the consolidated financial statements of the Group.

2 *BASIS OF PREPARATION (continued)*

(ii) Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycles various standards

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The adoption of this amendment had no significant impact on the consolidated financial statements.

f) New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

(i) IFRS 9 - Financial Instruments
IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

(ii) IFRS 15 – Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

2 *BASIS OF PREPARATION (continued)*

(iii) Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The above amendments do not have any impact on the consolidated financial statements of the Group.

(iv) Annual Improvements to IFRSs 2012–2014 Cycle – various standards.

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The amendments are not expected to have any material impact on the consolidated financial statements of the Group.

The following are the key amendments in brief:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such

- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition

- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34

- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise

- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

(v) Disclosure Initiative (Amendments to IAS 1).

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

2 *BASIS OF PREPARATION (continued)*

- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

g) Early adoption of standards

The Group did not early adopt new or amended standards in 2015.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

a) Basis of consolidation

(i) Subsidiaries
Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Interest in equity – accounted investees
The Group's interest in equity – accounted investees comprise interest in associates. Associates are those entities in which the Group holds, directly or indirectly, more than 20% of the voting power or exercises significant influence, but not control, over the financial and operating policies. Interest in associates is accounted for using the equity method. The investment is initially recognised at cost, which includes transaction cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transaction with equity-accounted investees are eliminated against the investment to the extent Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Bahraini Dinars at foreign exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the re-translation of available-for-sale equity investments which are recognised in other comprehensive income.

c) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The cost of inventory is based on the weighted average basis. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

d) Investment property

Investment properties are those which are held by the Group to earn rental income or for capital appreciation or both. Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the cost of the investment property over their estimated useful lives of 20-30 years. Any gain or loss on disposal of investment property (calculated as the difference between the net process form the disposal and the carrying amount of the item) is recognized in profit or loss.

e) Property and equipment

(i) Owned assets
Items of property and equipment held for use in the provision of service or for administrative purposes on a continuing basis and not intended for sale in the ordinary course of business are carried at cost less accumulated depreciation and impairment losses, if any, except for freehold land and buildings which are carried at their professionally determined fair market value less accumulated depreciation and impairment losses if any. The surplus arising on revaluation was credited to a revaluation reserve in equity which is non-distributable.

(ii) Subsequent expenditure
Subsequent costs are included in the assets carrying amount or are recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit or loss during the financial period in which they are incurred.

(iii) Depreciation
Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the cost of the items of property plant and equipment over the following estimated useful lives:

Categories	**Estimated used life in years**
Freehold buildings	25
Leasehold buildings	25
Leasehold improvement	10
Furniture and fixtures	5
Computer, other equipment and vehicles	5

The assets residual values and useful lives are reviewed and revised if appropriate at each reporting date. All depreciation is charged to the profit or loss. When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed and any resultant gain or loss is taken to the profit or loss.

The estimated useful working lives of the assets are periodically reviewed by the management. No depreciation is charged on freehold land.

f) Financial instruments

(i) Classification
Financial assets
The Group classifies its financial assets into one of the following categories;
- Loans and receivables; and
- Available-for-sale.

Financial liabilities
The Group classifies it's financial liabilities into other financial liabilities category.

(ii) Recognition
The Group initially recognises loans and receivables, deposits on the date on which they originated. All other financials asset and liabilities are initially recognized on the trade date. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(iii) Derecognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and financials liabilities are offset and the net amount presented in the statement of the financial position when, and only when, the Group has the legal right to offset the amounts and intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

(iv) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group for which there are no other appropriate methods from which to derive fair value are carried at cost less impairment allowance.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences or debt instruments, are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Amortised cost measurement
The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

g) Employee benefits

Pension rights (and other social benefits) for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under IAS 19 – Employee Benefits, is recognised as an expense in the consolidated profit or loss.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector 2012, based on length of service and final remuneration. Provision for this, which is unfunded and which represents a defined benefit plan under IAS 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the statement of financial position date. The charge for the year is recognised as an expense in the consolidated profit or loss.

h) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

i) Impairment

(i) Non-financial assets
The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in the consolidated profit or loss.

(iii) Financial assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

In the case of quoted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. The Group considers that a 20% decline in the value of investments as compared to its cost as a significant reduction and that a period of six months as prolonged. Where fair values are not readily available and the investments are carried at cost, the recoverable amount of such investment is estimated to test for impairment. In making this judgment, the Group evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated profit or loss. Impairment losses recognised on equity instruments are not subsequently reversed through the consolidated profit or loss.

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. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit and loss.

j) Statutory reserve

In accordance with Bahrain Commercial Companies Law 2001, the Company is required to appropriate 10 percent of the net profit to a statutory reserve, which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50% of the share capital.

k) Dividends

Dividends are recognised as a liability in the period in which they are declared.

l) Revenue recognition

(i) *Sales of goods* – Income from sale of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer. Significant risks and rewards are transferred to the buyer at the time of delivery. Sales are usually in cash or by credit card.

(ii) *Training services* – revenue generated from providing training services is recognised on a time apportioned basis over the period of the training course.

m) Other Income

(i) *Advertisement income* – is the income received from suppliers for advertising their products in the premises operated by the Group. This revenue is based on contracts and is time-apportioned over the period of the contracts.

(ii) *Interest income* – Interest income on bank deposits is recognised on time-proportioned basis.

(iii) *Dividend Income* – is recognized in the profit or loss on the date the dividend is declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015

Bahraini dinars

4 PROPERTY AND EQUIPMENT

	Freehold land & building	Leasehold building	Leasehold improvements	Furniture and fixtures	Computer, other equipment & vehicles	Capital work in progress	2015 Total
Cost							
1 January	-	1,515,759	2,449,125	1,095,146	1,546,085	31,459	6,637,574
Additions	-	-	10,110	10,003	136,037	-	156,150
Transfer	-	-	1,062	-	13,556	(14,618)	-
Disposals / write-off	-	-	(526,784)	(800,421)	(641,771)	(2,640)	(1,971,616)
31 December	-	1,515,759	1,933,513	304,728	1,053,907	14,201	4,822,108
Depreciation							
1 January	-	(791,560)	(1,330,832)	(1,009,015)	(1,115,196)	-	(4,246,603)
Charge for the year	-	(60,350)	(195,336)	(34,077)	(161,694)	-	(451,457)
Disposals/ write-off	-	-	513,678	799,326	631,543	-	1,944,547
31 December	-	(851,910)	(1,012,490)	(243,766)	(645,347)	-	(2,753,513)
Net book value at 31 December 2015	-	663,849	921,023	60,962	408,560	14,201	2,068,595

Bahraini dinars

4 *PROPERTY AND EQUIPMENT (continued)*

	Freehold land & building	Leasehold building	Leasehold improvements	Furniture and fixtures	Computer, other equipment & vehicles	Capital work in progress	2014 Total
Cost							
1 January	355,000	1,515,759	2,173,981	1,191,762	1,518,012	49,362	6,803,876
Additions	-	-	276,025	16,850	65,706	31,459	390,040
Transfer	-	-	37,424	3,100	8,838	(49,362)	-
Disposals/ write-off	(355,000)	-	(38,306)	(116,565)	(46,471)	-	(556,342)
31 December	-	1,515,759	2,449,124	1,095,147	1,546,085	31,459	6,637,574
Depreciation							
1 January	(20,418)	(731,210)	(1,172,194)	(1,030,731)	(1,003,663)	-	(3,958,216)
Charge for the year	(16,966)	(60,350)	(179,780)	(79,457)	(158,003)	-	(494,556)
Transfer	-	-	1,340	(1,340)	-	-	-
Disposals/ write-off	37,384	-	19,801	102,513	46,471	-	206,169
31 December	-	(791,560)	(1,330,833)	(1,009,015)	(1,115,195)	-	(4,246,603)
Net book value at 31 December 2014	-	724,199	1,118,291	86,132	430,890	31,459	2,390,971

4 PROPERTY AND EQUIPMENT (continued)

Properties used by the Group

Property	Address	Description	Existing use	Tenure	Average age of the property	Present carrying value
Shop Building	Bahrain Airport	Building measuring 3,300 m^2	Business	25 years renewable lease agreement	25 years	663,849

5 INVESTMENT PROPERTY

	2015	2014
At 1 January	5,579,102	2,537,230
Additions during the year	-	4,292,401
Disposals during the year	(1,306,442)	(1,230,788)
Depreciation	(29,611)	(19,741)
At 31 December	**4,243,049**	5,579,102

Investment property as at the reporting date comprises of a commercial property that is leased to third parties. During the year, the Company sold all the land property.

The fair value of investment in commercial property was determined by an external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of the property is BD 4,286,362 (2014: BD 4,610,000). The fair value measurement has been categorized as Level 3 fair value based on the inputs to the valuation technique of discounted cash flows.

The valuation technique considers the present value of net cash flows to be generated from the property taking into account the expected rental growth rate occupancy rate and cost not paid by tenants. The expected net cash flow are discounted using risk adjusted discount rates among other factors the discount rate estimation considering the quality of the building and its location and lease terms .

Fair value of the land was determined internally by management using market comparable for 2014. The fair value of land was assessed as BD Nil (2014: BD 2,858,817). The fair value measurement for the lands were categorized as Level 2 fair value in 2014. The market comparable is based on a transaction price for a similar land sold by the Group.

6 EQUITY- ACCOUNTED INVESTEE

	2015	2014
As at 1 January	223,033	210,322
Share of dividend received in 2015	(37,501)	-
Share of profit for the year	11,646	12,711
At December	**197,178**	223,033

Details of the associate at the end of the reporting period are as follows:

Name of the entity	Place of business/country of incorporation	Proportion of ownership	Principal activities	Nature of Relationship
Bahrain International Airport Development Company (BIADCO)	Bahrain	25%	Providing Warehousing facilities' at the Airport	The Group rents warehouse space from BIADCO

The following table summarizes the financial position of BIADCO as included in its own financial statements unadjusted for the Group's share:

	2015	2014
Current assets	249,929	259,439
Non-current assets	554,409	626,045
Current liabilities	(214,099)	(191,828)
Net assets	**590,239**	693,656
Group's share of net assets (25%)	147,560	173,414
Goodwill	49,619	49,619
Carrying amount of interest in Associate	**197,179**	223,033
Revenue	335,470	331,948
Total comprehensive Income	46,584	50,843
Group's share (25%)	11,646	12,711
Group's share of total comprehensive income	**11,646**	12,711

7 AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
Quoted equity shares	15,743,840	14,444,491
Unquoted equity shares	5,408,211	5,407,382
Debt instruments	1,840,937	3,222,281
At 31 December	**22,992,988**	23,074,154

The fair values are determined based on market value as at 31 December 2015. The Group's investment in unquoted equity shares amounting to BD 5,408,211 (2014: BD 5,407,382) are carried at cost less impairment allowances, if any, as these are not quoted and no other appropriate methods are readily available from which to derive a reliable fair value. For unquoted equity investments, the exit strategy is via a trade sale or initial public offering.

Provision for impairment in profit or loss includes BD Nil (2014: BD 36,480) towards the decrease in cost of investments and BD Nil (2014: Nil) towards transfer of fair value reserve to profit or loss.

8 INVENTORIES

	2015	2014
Inventories in hand	3,001,792	2,868,636
Less: Impairment allowance	(39,496)	(167,347)
	2,962,296	2,701,289

In 2015, inventories of BD 15,523,177 (2014: BD 15,170,029) were recognized as expense during the period and included in cost of sales.

8 INVENTORIES (continued)

Movement in impairment allowance on inventories:

	2015	2014
At 1 January	167,347	316,742
Reversal during the year	(127,851)	(149,395)
At 31 December	**39,496**	167,347

9 RECEIVABLES AND OTHER ASSETS

	2015	2014
Trade receivables	212,676	474,942
Advance for investments and investment property	4,551,238	2,500,000
Other receivables and advances	2,026,101	3,971,831
Related party receivables (note 18)	147,191	53,050
	6,937,205	6,999,823
Less Impairment allowance	(518)	(31,903)
At 31 December	**6,936,688**	6,967,920

Movement in impairment allowance for trade receivables:

	2015	2014
At 1 January	31,903	67,156
Reversal during the year	(31,385)	(35,253)
At 31 December	**518**	31,903

10 CASH AND BANK BALANCES

	2015	2014
Bank deposits	9,350,866	9,746,650
Cash at bank	5,686,643	2,088,708
Cash in hand	112,895	116,973
Cash and bank balances in the statement of financial position	**15,150,404**	11,952,331
Bank deposits with original maturity more than 3 months	(4,000,000)	(3,103,582)
Cash and cash equivalents in the statement of cash flows	**11,150,404**	8,848,749

11 SHARE CAPITAL

	2015	2014
Authorised share capital / Issued and fully paid up 117,580,114 (2014: 106,891,013) shares of 100 fils each	**11,758,012**	10,689,102

(i) Names and nationalities of the major equity holders (defined as a holding in excess of 5 % of the issued and fully paid capital) and the number of equity shares held:

Name	Nationality	Number of shares	Shareholding (%)
Esterad Investment Co. BSC	Bahraini	10,785,588	9.2
Global Express	Bahraini	9,516,078	8.1
Rouben Stores	Bahraini	7,656,621	6.5
Yousif Abdulla Amin	Bahraini	6,587,897	5.6
Farouk Yousuf Almoayyed	Bahraini	5,932,667	5.0

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

(iii) The following is a distribution schedule of equity shares setting out the number of holders:

Categories*	Number of shares	Number of equity holders	% of total issued shares
Less than 1 %	29,587,848	578	25.16
1 % up to less than 5 %	47,513,415	24	40.41
5 % up to less than 10 %	40,478,851	5	34.43
10 % up to less than 20 %	-	-	-
20 % up to less than 50 %	-	-	-
50 % and above	-	-	-
Total	**117,580,114**	**607**	**100.00**

* Expressed as a percentage of total issued and fully paid shares of the Company.

(iv) Total number of shares owned by the directors of the Company as at 31 December 2015 was shares 12,225,771 (2014: 10,943,453 shares).

12 EMPLOYEES' BENEFITS

	2015	2014
At 1 January	632,524	559,866
(Reversed) /Charge for the year	(50,833)	119,959
Paid during the year	(176,132)	(47,301)
At 31 December	**405,559**	632,524

13 PAYABLES AND OTHER LIABILITIES

	2015	2014
Trade payable	1,408,356	1,557,385
Related parties payable (note 18)	685,013	1,181,137
Other payables	1,562,462	1,847,133
	3,655,831	4,585,655

14 ROYALTY

A royalty of BD 200,000 or 50 % of the profit from duty free operations at Bahrain International Airport, whichever is higher is paid to the Civil Aviation Affairs of the Government of the Kingdom of Bahrain. The Civil Aviation Affairs has transferred its rights and obligations as per the royalty agreement to Bahrain Airport Company BSC (c).

Royalty payable	**2015**	2014
At 1 January	2,930,306	2,498,993
Charge for the year	3,753,336	3,122,306
Paid during the year	(4,441,688)	(2,690,993)
At 31 December	**2,241,954**	2,930,306

15 OTHER INCOME

	2015	2014
Advertising income	899,133	553,191
Beauty advisory income	419,080	453,905
Others	275,770	397,525
	1,593,983	1,404,621

16 ADMINISTRATIVE EXPENSES

	2015	2014
Salaries and related costs	3,389,555	3,548,681
Management fee	850,620	766,190
Depreciation	451,457	494,556
	4,691,632	4,809,427

Management fee relates to amounts paid to Aer Rianta International Middle East W.L.L to manage the Bahrain Duty Free Shop Complex by providing experienced managerial staff and other operational support services based on the management agreement. On 22 July 2010, the contract was renewed and is effective for another seven years from 1 January 2011 until 31 December 2017.

17 INVESTMENT INCOME

	2015	2014
Income from available-for-sale investments	2,008,528	2,105,909
Rental income from investment property	183,119	68,504
Income on sale of investment property	1,189,426	1,571,497
	3,381,073	3,745,910

18 RELATED PARTY TRANSACTION

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

a) Transactions

	Transactions for the year ended 31 December		Balance as at 31 December	
	2015	2014	**2015**	2014
Subsidiary				
Service income	-	24,000	-	-
Training expenses	**(36,490)**	(82,663)	-	-
Dividend received	**280,000**	-	-	-
Associate				
Rental expenses	**99,022**	100,646	-	-
Dividend received	**37,500**	-	-	-
Others				
Purchases of goods	**7,287,782**	7,085,639	**(589,596)**	(900,977)
Concessionary fees	**120,119**	250,002	**147,191**	68,806
Other income	**19,564**	19,332	-	-
Management fees	**850,620**	766,190	**(10,500)**	(280,160)

Other transactions with related parties are disclosed in note 6 and 16.

b) Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	2015	2014
Board remuneration for the year	**168,000**	168,000
Salaries and other short-term benefits for the year	**325,146**	328,040
Post-employment benefits for the year	**5,336**	7,761
Post-employment benefits payable	**19,083**	15,728

19 APPROPRIATIONS

The Board of Directors have proposed the following appropriations for the year 2015:

	2015	2014
Interim dividends paid – 20 fils per share	2,351,602	2,137,820
Final cash dividend proposed – 30 fils per share	3,527,404	3,206,731
Bonus shares issue - (2014: 10 %)	1,175,801	1,068,910
Charity	179,051	171,094
	7,233,858	6,584,555

20 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company of BD 8,952,564 (2014: BD 8,554,719) by the number of ordinary shares in issue in 2015.

	Basic & Diluted	
	2015	2014
Profit for the year	8,952,564	8,554,719
Weighted average number of shares	117,580,114	117,580,114
Earnings per share	**76 fils**	73 fils

21 SEGMENTAL INFORMATION

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment) or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segment. The Group currently primarily operates Duty free shops at Bahrain International Airport and Sea port. The revenue, expenses and results are reviewed only at a Group level and therefore no separate operating segment results and other disclosures are provided in these consolidated financial statements.

22 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

22 FINANCIAL INSTRUMENT –FAIR VALUE AND RISK MANAGEMENT (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an executive management committee, which assist the Board of Directors in effectively discharging their responsibilities for developing and monitoring the Group's risk management policies.

The Group's audit committee oversees how management monitors compliance with the Group's risk management procedures and reviews the adequacy of the risk management practices in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

a) Credit risk

Credit risk is the risk that a customer or a counter party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk primarily on its cash and cash equivalents, receivables and investment in debt instruments and structured notes.

The Group's credit risk on cash and cash equivalents is limited as these are placed with banks in Bahrain having investment grade credit ratings.

The Group manages its credit risk on accounts receivables by restricting its credit sales only through major credit cards and ensuring that the sales to related parties are as per the internal policies established for transactions with the related parties. Since the Group is involved in 'over-the-counter' retail sales there is no significant geographical or customer type concentration of credit risk involved in accounts receivable balances.

The Group perceives that the account receivable balances are of good credit quality as these are primarily receivable from:

- vendors where the Group has net payable balances
- well established credit card companies
- related parties with good financial position

The Group establishes provision for impairment of accounts receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired.

The Group manages credit risk on its investments by ensuring that investments are made only after careful credit evaluation. The Group limits its exposure to credit risk by mainly investing in debt instruments promoted by established banks or financial institutions. The Group has an investment committee comprising of four board members, which is responsible for all investment related decisions. Before investing in any new securities the proposal is first placed with the investment committee for its approval. Investment committee approves the proposal after considering all merits and demerits of the proposal.

22 *FINANCIAL INSTRUMENT –FAIR VALUE AND RISK MANAGEMENT (continued)*

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015	2014
Bank balances	15,029,509	11,835,358
Available-for-sale investments	1,840,937	3,222,281
Trade and other receivables	3,015,287	4,366,089
Related party receivable	147,191	68,806
	20,032,924924	19,492,534

The maximum exposure to credit risk at the reporting date based on geographical concentration was:

	2015	2014
Bahrain	17,714,800	15,197,430
Middle East	192,272	411,763
Others	2,125,852	3,883,341
	20,032,924924	19,492,534

The ageing of trade and related party receivables at the reporting date was:

	2015		2014	
	Gross	**Impairment**	Gross	Impairment
Not past due	210,475	-	128,179	-
Past due 0-90 days	148,417	-	275,024	-
Past due 91-180 days	337	-	42,929	1,726
More than 180 days	638	518	81,851	30,177
	359,867	**518**	527,983	31,903

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group ensures that a significant amount of the funds are invested in cash and cash equivalents, which are readily available to meet liquidity requirements.

All financial liabilities are non-interest bearing and are payable within six months.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group incurs financial liabilities in

22 FINANCIAL INSTRUMENT –FAIR VALUE AND RISK MANAGEMENT (continued)

order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's short-term bank deposits are at fixed interest rates and mature within 180 days. The Group is not subject to significant interest rate risk sensitivity.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has exposure to currency risk on its purchases invoiced in foreign currency, on credit card sales in foreign currency and on its certain investment in foreign currency. Predominantly, the purchase of products is from local suppliers. The majority of the foreign currency purchases are in US dollars. The US dollar is pegged against the Bahraini dinar and therefore the Group is not exposed to any significant risk.

The Group's net exposure to significant currency risk in the functional currency at the reporting date was:

	2015	2014
USD	1,052,396	4,226,916
EURO	(48,428)	(100,277)
GBP	4,796,971	5,562,969
	5,800,939	9,689,609

The Group does not perceive that fluctuations in foreign exchange rates will have any significant impact on the income or equity because the exposure to currencies other than US dollar, which is pegged to Bahraini dinars, is not significant. GBP includes investment of BD 1,229,370 (2014: BD 3,591,600) carried at cost and therefore, the impact if any, would be only on sale of the investment.

A one percent increase in the GBP exchange rate at the reporting date will cause a variation by BD 6,973 (2014: 11,715) in the profit or loss and equity. The analysis is performed on the same basis for 2014.

A one percent increase in the EURO exchange rate at the reporting date will cause a variation by BD 200 (2014: BD 458) in the profit or loss and equity. The analysis is performed on the same basis for 2014.

(iii) Equity price risk

The Group's quoted equity investments are listed on Bahrain Stock Exchange ("BSE"), Kuwait Stock Exchange ("KSE"), Kingdom of Saudi Stock exchange ("Tadawul") and Qatar Stock exchange (QE). A one percent increase in the equity prices at the reporting date will cause a variation of equity by BD 157,438 (2014: BD 144,445) in the equity. The analysis is performed on the same basis for 2014.

d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity and the level of dividends to shareholders. The Board seeks to maintain a balance between the higher returns and growth that might be possible by a sound capital position. There were no significant changes in the Group's approach to capital management during the year.

e) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance of risk.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of financial assets and financial liabilities carried at amortised cost approximate the carrying values as at the reporting date.

No fair value disclosures are provided for equity investment securities of BD 5,408 thousands (2014: BD 5,407 thousands) that are measured at cost because their fair value cannot be reliably measured.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measures:

- *Level 1:* Quoted market price (unadjusted) in an active market for an identical instrument.

- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

22 FINANCIAL INSTRUMENT –FAIR VALUE AND RISK MANAGEMENT (continued)

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial instruments measured at fair value

2015	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying value**
Available-for-sale investments	17,584,777	-	-	**17,584,777**	**17,584,777**

2014	Level 1	Level 2	Level 3	Fair value	Carrying value
Available-for-sale investments	17,666,773	-	-	17,666,773	17,666,773

The fair value of other assets and liabilities approximate the carrying value at the reporting date.

22 FINANCIAL INSTRUMENT –FAIR VALUE AND RISK MANAGEMENT (continued)

f) Categorization of financial instruments

The classification of financial assets and liabilities by accounting categorization is as follows:

2015	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Total carrying amount**
Available-for-sale investments	-	22,992,988	-	22,992,988
Trade receivables & other assets	3,162,478	-	-	3,162,478
Cash and cash equivalents	15,037,509	-	-	15,037,509
	18,199,987	**22,992,988**	**-**	**41,192,975**
Payable & other liabilities	-	-	3,655,831	3,655,831
Royalty payable	-	-	2,241,954	2,241,954
	-	-	**5,897,785**	**5,897,785**

2014	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount
Available-for-sale investments	-	23,074,154	-	23,074,154
Trade Receivables & other assets	4,434,895	-	-	4,434,895
Cash and cash equivalents	11,835,358	-	-	11,835,358
	16,720,253	23,074,154	-	39,344,407
Payable & other liabilities	-	-	4,585,655	4,585,655
Royalty payable	-	-	2,930,306	2,930,306
	-	-	7,515,961	7,515,961

23 CONTINGENT LIABILITIES AND COMMITMENTS

	2015	2014
Uncalled face value in unquoted equity investments	256,398	256,398
Investment property	2,133,114	2,660,928
Property and equipment	-	117,068
Performance bonds	-	196,690
Guarantees	15,596	15,596
	2,405,108	3,246,680