Delmon Poultry Company B.S.C.

Financial statements for the year ended 31 December 2019

Index

Commercial registration	10700-1 obtained on 21 July 1980 10700-2 obtained on 2 March 2017 10700-3 obtained on 26 January 2019
Board of directors	Abdul Rahman Mohamed Jamsheer (Chairman) Abdulhussain Khalil Dewani (Vice Chairman) Yousuf Saleh Al-Saleh Abdulredha Mohamed Al Daylami Talal Mohamed Abdulla Al Mannai Esam Abdulhameed Zainal Jaffar Mohamed Ali Al Dhaif Mohamed Jehad Bukamal Isa Mohamed Abdulrahim Alrafaei Fouad Ebrahim Almutawa
Executive Committee	Mohamed Jehad Bukamal(Chairman) Abdul Rahman Mohamed Jamsheer Yousuf Saleh Al Saleh Isa Mohamed Abdulrahim Alrafaei
Audit Committee	Talal Mohamed Abdulla Al Mannai (Chairman) Abdulhussain Khalil Dewani Jaffar Mohamed Ali Al Dhaif Fouad Ebrahim Yousif Almutawa
Governance Committee	Fouad Ebrahim Almutawa (Chairman) Abdulredha Mohamed Al Daylami Esam Abdulhameed Zainal
Nomination and Remuneration Committee	Abdulredha Mohamed Al Daylami (Chairman) Abdulhussain Khalil Dewani Esam Abdulhameed Zainal
General Manager	Abdulhadi Mirza Jaffar

Offices and plants	Administration and chicken processing plant Hamala, PO Box 20535 Telephone 17608282 Fax 17601930 Email: info@dawajen.bh Website: www.dawajen.bh Feedmill - Mina Salman Telephone 17727705 Chicks Hatchery - Al-Buhair Telephone 17624832
Principal bankers	Ahli United Bank National Bank of Bahrain National Bank of Kuwait Bahrain Islamic Bank Bank of Bahrain and Kuwait Kuwait Finance House
Auditors	BDO 17th Floor Diplomatic Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain
Internal Auditor	Grant Thornton - Abdulaal 12th Floor, Al Nakeel Tower Seef District PO Box 11175 Kingdom Of Bahrain
Share registrar	Bahrain Clear B.S.C (c) PO Box 3203 Manama Kingdom of Bahrain

Delmon Poultry Company B.S.C.
Directors' report for the year ended 31 December 2019

Dear Shareholders,

On behalf of myself and members of the Board of Directors, it gives me great pleasure to present the report of the Board of Directors of Delmon Poultry Company B.S.C. for the year ended 31 December 2019.

The year 2019 was marked with the implementation of a number of strategic projects that will be reflected on the Company's operational activities where Delmon manages to complete the implementation of the second stage of rehabilitation of the feed plant represented in updating the production lines, which helped the Company during the last quarter to introduce new types of feeds for the local market. The percentage of feed sold to the commercial market out of the total feed sold was about 37%, and the plant production of feed has reached to 31,617 metric tons.

With regards to the chicken processing plant, some important projects have been accomplished related to improving the quality of the chicken products, such as replacing the initial refrigeration units in addition to the cooling units for fresh chicken stores while increasing the storage area according to the increase in the amount of production. Delmon is also working on establishing frozen chicken stores and expanding the electrical power to accommodate the increase in the slaughterhouse production where chicken sales has reached to BD 8,826,095.

As for the Hatchery plant, the total amount of sales of chicks reached 9.7 million chicks in 2019 compared to 9 million chicks in 2018, and the Company is about to start building a new hatchery plant with a higher production capacity in line with Delmon plan to increase the Company's production capacity in the future.

The directives of the Board of Directors to continue developing and updating the Company's production sites and the experience of the executive management will be positively reflected on the continuation of the strategic development of the Company as a Quality department has been created as the Company seeks to make a shift in product quality and keep pace with the development taking place in the global poultry industry.

Financial highlights

The Company's sales for the current year amounting to BD 15.3 million has decreased compared to 2018 sales of BD 15.9 million, this is due to the decrease in the quantities sold during the year when compared to last year. The cost of sales for the current year recorded an increase of 1% compared to last year as a result of the processes of development, maintenance and rehabilitation of the refrigeration system and warehouses within the Company in order to enhance the quality of the products, this included rental of external freezing stores until the completion of the above rehabilitation phase. In addition, the improvement of farmers' breeding has led to increase in chicken weights, which is usually less preferred by the customers in the local market. Moreover, the fluctuation in the prices of raw materials for feed has contributed to increase the cost, and along with the stability of the farmers' selling prices, this resulted in a loss in operations activities of BD 310 thousands.

Despite of the losses, the strength of the Company's investment portfolio and other income has reduced the losses resulting from operations by 64%, as the portfolio recorded an increase in the market value of BD 623 thousands.

The Company's liquidity in the current year has increased due to the increase in cash and bank balances by 51%.

With respect to the associate company - Bahrain Livestock - in which Delmon holds a stake of 36.26% of total share capital as of 2019, the investment value has decreased by BD 62 thousands and Delmon's share of losses was amounted to BD 53 thousands.

While the investment income amounted to BD 222 thousands compared to BD 255 thousands last year.

The outcome of the operations, investment income and other income resulted in a net loss of BD 142 thousands compared to a net profit of BD 391 thousands in 2018, and this was reflected in the basic earnings per share of loss of 5 fils per share compared to a profit of 13 fils per share in 2018.

Future Insights:

Through Its accumulation of experience serving in the poultry industry and its recent entry to the processed poultry products, Delmon strives to improve its production capacity to meet the market demands via its plan of investing in its own farms in order to keep pace with ever increasing demand. While these farms will join the ends of our production cycle, we will also maintain our strategic partnership with local farmers. Pursuant to increasing capacity, talks with the concerned authorities are in process to obtain lands that are suitable for poultry farming. Concurrently, upgrades of existing production facilities in Feed Mill Factory and Processing Plant are in progress in order to accommodate the planned increase in capacity in addition to commencement of planned construction of a higher capacity hatchery.

The Company's Board of Directors is seeking the highest standards and best practices for corporate governance code issued by the Minister of Industry, Commerce and Tourism and the Central Bank of Bahrain, and continuing to seek to enhance the optimal application of all the requirements of the corporate governance charter. The corporate governance report for the year 2019 includes comprehensive details on the disclosures related to corporate governance charter and the Company's compliance towards it.

Thanks and Gratitude:

On behalf of myself and member of the Board of Directors, I am pleased to extend my great thanks, appreciation and gratitude to His Majesty King Hamad Bin Isa Al Shalika the beloved King of the Kingdom of Bahrain and to His Royal Highness Price Khalifa bin Salman Al Khalifa Prime Minister, and to His Royal Highness Price Salman Bin Hamad Al Khalifa the Crown Price and Deputy Supreme Commander and first Deputy Prime Minister mal Allah bless them all and keep them enshrine for this beloved country for their wise leadership, guidance and continuous support for economy development, and to His Excellency Sheikh Khalid bin Abdullah Al Khalifa, Deputy Prime Minister and Chairman of the Ministerial Committee for Services and Infrastructure for his distinguished wise directions to achieve food security in the Kingdom of Bahrain, and to all ministries governmental agencies and institutions for their continued support of the company and especially the Ministry of Works Municipalities Affairs and Urban Planning represented in His Excellency Minister Essam bin Abdullah Khalaf, and the Agent of Livestock, Dr. Khalid Ahmed Mohammed Hassan, and his Excellency Minister of Industry, Commerce and Tourism, and His Excellency Minister of Finance, and the Chairman of Tamkeen.

In conclusion, we are pleased to express our appreciation and heartfelt thanks to the valued shareholders and all honorable clients for the Company for their valued confidence and continuous support to the Company, as well as to the executive management and all employees of the company for their commitments, dedication and their efforts during the year, wishing to continue exerting more efforts for the prosperity and development of the Company.
We ask God for success for the good of everyone.

Peace be upon you and God's mercy and blessings.

Abdul Rahman Mohamed Jamsheer
Chairman of the Board

12 February 2020

Tel : +973 1753 0077
Fax: +973 1791 9091
www.bdo.bh

17th Floor
Diplomat Commercial Office Tower
PO Box 787
Manama
Kingdom of Bahrain

Independent auditor's report to the shareholders of Delmon Poultry Company B.S.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Delmon Poultry Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss, the statement of 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 2019, 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 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Revenue recognition

Revenue reported in Note 22 represents sale of chicken, chicks, feed and other miscellaneous income. The Company focuses on revenue as key performance measure. By default, this area has a fraud risk element and therefore considered as a significant risk.

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

Valuation of the financial assets at fair value

The Company owns quoted and unquoted investments as disclosed in Notes 8 and 9 which form material balances in the financial statements of the Company and are subject to change in the fair value. This could have a significant impact on the Company's results if misstated.

Our audit procedures included testing of investments acquired and sold during the year on a sample basis, testing of ownership and classification, testing of fair value of the quoted investments with the listed prices in the relevant stock exchange, evaluating other valuation techniques used by the management for the determination of fair values of investments that are not quoted in active markets.

Other information

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

BDO

Tel : +973 1753 0077
Fax: +973 1791 9091
www.bdo.bh

17th Floor
Diplomat Commercial Office Tower
PO Box 787
Manama
Kingdom of Bahrain

Independent auditors' report to the shareholders of Delmon Poultry Company B.S.C. (continued)

Report on the audit of the financial statements (continued)

Other information (continued)
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance ("TCWG") for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the 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.

Tel : +973 1753 0077
Fax: +973 1791 9091
www.bdo.bh

17th Floor
Diplomat Commercial Office Tower
PO Box 787
Manama
Kingdom of Bahrain

Independent auditors' report to the shareholders of Delmon Poultry Company B.S.C. (continued)

Report on the audit of the financial statements (continued)

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

- 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 TCWG regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide TCWG with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

a) As required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001, we report that:

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

b) As required by the Ministry of Industry, Commerce and Tourism in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:

1. a corporate governance officer; and
2. Board approved written guidance and procedures for corporate governance.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2019.

BDO

Manama, Kingdom of Bahrain
12 February 2020

Delmon Poultry Company B.S.C.
Statement of financial position as at 31 December 2019
(Expressed in Bahraini Dinars)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,093,332	2,630,176
Investment in an associate	6	1,573,155	1,635,076
Right-of-use assets	7	578,724	-
Financial assets at fair value through other comprehensive income	8	3,172,944	2,971,304
Financial assets at fair value through profit or loss	9	689,871	668,095
Investments at amortised cost	10	500,000	750,000
		9,608,026	8,654,651
Current assets			
Inventories	11	3,002,137	2,886,343
Trade and other receivables	12	2,043,887	2,414,299
Cash and bank balances	13	501,223	331,779
		5,547,247	5,632,421
TOTAL ASSETS		15,155,273	14,287,072
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	3,120,928	3,120,928
Statutory reserve	15(i)	1,560,464	1,560,464
General reserve	15(ii)	3,993,000	3,993,000
Development and raw material reserve	15(iii)	1,000,000	1,000,000
Investment fair value reserve	15(iv)	2,139,170	1,865,423
Retained earnings	15(v)	1,507,754	1,454,210
Treasury shares	14	(122,398)	(118,093)
Total shareholders' equity		13,198,918	12,875,932
Non-current liabilities			
Non-current portion of lease liabilities	17	561,757	-
Non-current portion of deferred income	20	207,504	53,560
Employees' terminal benefits	16	30,496	23,685
		799,757	77,245
Current liabilities			
Current portion of lease liabilities	17	38,814	-
Trade and other payables	18	1,103,978	1,045,635
Bank overdrafts	19	-	281,325
Current portion of deferred income	20	13,806	6,935
		1,156,598	1,333,895
Total liabilities		1,956,355	1,411,140
TOTAL EQUITY AND LIABILITIES		15,155,273	14,287,072

These financial statements, were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Abdul Rahman Mohamed Jamsheer	Abdulhussain Khalil Dewani	Abdulhadi Mirza Jaffar
Chairman	Vice chairman	General manager

Delmon Poultry Company B.S.C.
Statement of profit or loss for the year ended 31 December 2019
(Expressed in Bahraini Dinars)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Sales	22	15,348,364	15,883,902
Cost of sales	23	(15,032,684)	(14,944,121)
Gross profit for the year		315,680	939,781
Other income	21	64,947	63,892
Other operating expenses	24	(690,282)	(725,386)
(Loss)/profit from operations		(309,655)	278,287
Investment income	25	221,618	255,040
Unrealised value gains on financial assets at fair value through profit or loss	9	21,776	30,275
Share of loss in an associate	6	(52,555)	(168,414)
Finance costs		(23,613)	(3,811)
Net (loss)/profit for the year		(142,429)	391,377
Basic and diluted (loss)/ earning per share	26	Fils (5)	Fils 13

These financial statements, were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Abdul Rahman Mohamed Jamsheer	Abdulhussain Khalil Dewani	Abdulhadi Mirza Jaffar
Chairman	Vice chairman	General manager

Delmon Poultry Company B.S.C.
Statement of comprehensive income for the year ended 31 December 2019
(Expressed in Bahraini Dinars)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Net (loss)/profit for the year		(142,429)	391,377
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Valuation gains on financial assets at fair value through other comprehensive income	8	632,151	76,144
Items that will or may be reclassified into profit or loss:			
Company's share in associate's other comprehensive (loss)/income	6	(9,366)	862
Total other comprehensive income for the year		622,785	77,006
Total comprehensive income for the year		480,356	468,383

These financial statements, were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Abdul Rahman Mohamed Jamsheer Chairman	Abdulhussain Khalil Dewani Vice chairman	Abdulhadi Mirza Jaffar General manager

Delmon Poultry Company B.S.C.
Statement of changes in shareholders' equity for the year ended 31 December 2019
(Expressed in Bahraini Dinars)

	Notes	Share capital	Statutory reserve	General reserve	Development and raw material reserve	Investment fair value reserve	Retained earnings	Treasury shares	Total
As at 31 December 2017		3,120,928	1,560,464	3,993,000	1,000,000	1,784,847	1,315,749	(118,093)	12,656,895
Effect of adoption of IFRS 9		-	-	-	-	(3,292)	(92,988)	-	(96,280)
Adjusted balance at 1 January 2018		3,120,928	1,560,464	3,993,000	1,000,000	1,781,555	1,222,761	(118,093)	12,560,615
Total comprehensive income for the year		-	-	-	-	77,006	391,377	-	468,383
Movement in investment fair value reserve on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	6,862	(6,862)	-	-
Dividend for 2017	27	-	-	-	-	-	(153,066)	-	(153,066)
At 31 December 2018		3,120,928	1,560,464	3,993,000	1,000,000	1,865,423	1,454,210	(118,093)	12,875,932
Total comprehensive income for the year		-	-	-	-	622,785	(142,429)	-	480,356
Treasury shares purchased	14	-	-	-	-	-	-	(4,305)	(4,305)
Movement in investment fair value reserve on disposal of financial assets at fair value through other comprehensive income		-	-	-	-	(349,038)	349,038	-	-
Dividends for 2018	27	-	-	-	-	-	(153,065)	-	(153,065)
At 31 December 2019		3,120,928	1,560,464	3,993,000	1,000,000	2,139,170	1,507,754	(122,398)	13,198,918

Delmon Poultry Company B.S.C.
Statement of cash flows for the year ended 31 December 2019
(Expressed in Bahraini Dinars)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Operating activities			
Net (loss)/profit for the year		(142,429)	391,377
Adjustments for:			
Depreciation	5	431,450	386,464
Amortisation of right-of-use assets	7	26,760	-
Finance costs		23,613	3,811
Loss on sale of property, plant and equipment		-	24
Unrealised fair value gains on financial assets at fair value through profit or loss	9	(21,776)	(30,275)
Share of loss in an associate	6	52,555	168,414
Interest income	25	(63,079)	(86,411)
Dividends income	25	(158,539)	(168,629)
Changes in operating assets and liabilities:			
Inventories		(115,794)	(1,002,665)
Trade and other receivables		370,832	(846,291)
Trade and other payables		82,993	(16,174)
Employees' terminal benefits, net		6,811	323
Net cash provided by/(used in) operating activities		493,397	(1,200,032)
Investing activities			
Purchase of property, plant and equipment	5	(894,606)	(442,228)
Proceed from matured investments at amortised cost		250,000	500,000
Proceeds from disposal of financial assets at fair value through other comprehensive income		430,508	286,104
Proceeds from sale of property, plant and equipment		-	40
Interest income received	25	63,079	86,411
Dividends income received	25	158,539	168,629
Net cash provided by investing activities		7,520	598,956
Financing activities			
Purchase of treasury shares	14	(4,305)	-
Principal repayment on lease liability		(4,910)	-
Net movement in deferred income		160,815	60,495
Net movement in short-term borrowing		-	(70,580)
Finance costs paid		(23,613)	(3,811)
Dividends paid		(178,135)	(163,201)
Net cash used in financing activities		(50,148)	(177,097)
Net increase /(decrease) in cash and cash equivalents		450,769	(778,173)
Cash and cash equivalents, beginning of the year		50,454	828,627
Cash and cash equivalents, end of the year		501,223	50,454
Comprising: Cash and bank balances	13	501,223	331,779
Bank overdrafts	19	-	(281,325)
		501,223	50,454

1 Organisation and activities

Delmon Poultry Company B.S.C. ("the Company") is a public shareholding company registered with the Ministry of Commerce, Industry and Tourism in the Kingdom of Bahrain and operates under commercial registration numbers 10700-1 obtained on 21 July 1980, commercial registration number 10700-2 obtained on 2 March 2017 and commercial registration number 10700-3 obtained on 26 January 2019.

The principal objectives of the Company include establishing or investing in:

- Facilities for processing, packing and storing of fresh and frozen chicken;
- Feed factories;
- Integrated project for broiler meat;
- Wholesale and retail distribution networks affording easy accessibility for consumers; and
- Participate in incorporation of companies operate similar or supporting activities in Bahrain or abroad.

The Company is also allowed to invest its surplus funds in all types of investments.

Current operations, all in Bahrain, are as follows:

- Chicken processing plant at Hamala
- Feedmill at Mina Salman
- Chicks hatchery at Al-Buhair

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

Name and status of the divisions:

Name	Commercial registration number	Status
Delmon Poultry Company	10700-1	Active
Delmon Poultry Company	10700-2	Active
Delmon Poultry Company	10700-3	Active

The financial information, set out on pages 9 to 47 was approved and authorised for issue by the Board of Directors and signed on 12 February 2020.

2 Basis of preparation

Statement of compliance

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

Basis of presentation

The financial statements have been prepared using going concern assumption under the historical cost convention, except for financial assets at fair value which are carried at their fair values and investment in associate which is equity accounted.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas requiring exercise of judgment in applying Company's accounting policies are disclosed in Note 4 to the financial statements.

2 Basis of preparation (continued)

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Bahraini Dinars (BD), which is the Company's reporting and presentation currency.

Improvements/amendments to IFRS/IAS

Improvements/amendments to IFRS/IAS contained numerous amendments to IFRS/IAS 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 future accounting period with earlier adoption.

Standards, improvements, amendments and interpretations effective and adopted in 2019

The following new standards, improvements, amendments and interpretations issued by the IASB are effective for the first time for periods beginning on or after 1 January 2019 and have been adopted in the preparation of these financial statements.

Standard or interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019

IFRS 16 - "Leases"

IFRS 16 replaces IAS 17 - *"Leases"* and IFRIC 4 - *"Determining whether an Arrangement contains a Lease"*. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have significant leasing activities acting as a lessor.

In accordance with the transition provisions of IFRS 16, instead of recognising an operating expense for its operating lease arrangements, the Company will recognise finance cost on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its operating lease cost.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. As a result of the adoption of this standard as of 1 January 2019, BD605,484 was recognised as right-of-use assets and as lease liabilities resulting in reduction in the prepayment by BD18,919 at the application date i.e. 1 January 2019.

Standards, amendments and interpretations issued and effective but not relevant in 2019

The following new standards, amendments and interpretations issued by the IASB are effective for the first time for periods beginning on or after 1 January 2019 but have not been adopted as these are not considered to be relevant to the Company's operation:

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective but not relevant in 2019 (continued)

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

New standards, improvements, interpretations and amendments issued but not yet effective in 2019

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory and hence, have not been early adopted by the Company in preparing the financial statements for the year ended 31 December 2019. The Company intends to apply these standards from application date as indicated in the table below:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 17	Insurance contracts	1 January 2021

There would have been no change in the financial position and operational results of the Company for the year ended 31 December 2019 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in 2019

The Company did not early-adopt any new or amended standards in 2019.

3 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements is set out below. These policies have been constantly applied to all the years presented as stated below, except for those changed due to adoption of IFRS 16:

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss as an expense when incurred.

3 Significant accounting policies (continued)

Property, plant and equipment **(continued)**

Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write-off the cost of the assets over their estimated useful working lives as followings:

Building (on leased land)	20 years
Plant and machinery	10 years
Furniture, vehicles, tools, IT and software	2-5 years

All depreciation is charged to the statement of 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 is recognised in the statement of profit or loss.

The carrying values of the 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 property and equipment are written-down to their recoverable amounts.

Capital work-in-progress will be capitalised and depreciated when they are put to commercial use. Depreciation on capital work-in-progress is not charged until such time as these assets are completed and transferred to the respective category of property, plant and equipment.

Investment in an associate

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Company's share of post-acquisition profits and losses and other comprehensive income is recognised in the statement of profit and loss and statement of comprehensive income respectively (except for losses in excess of the Company's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Company and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

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

Financial assets

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

a. Financial assets at Fair Value Through Other Comprehensive Income (FVTOCI)

The Company has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

3 Accounting policies (continued)

Financial assets (continued)

a. Financial assets at Fair Value Through Other Comprehensive Income (FVTOCI) (continued)

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

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

Financial assets at fair value through profit or loss are recognised at their fair values. Realised and unrealised gains and losses arising from changes in the fair value are included in the statement of profit or loss in the period in which they arise. The Company generally deals in managed funds which are categorised as fair value through profit or loss.

c. Financial assets carried at amortised cost

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

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments under amortised cost representing financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. If there are any impairment losses, those are presented in the statement of profit or loss.

Trade and other receivables

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

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash on hand and bank balances net of bank overdrafts.

Financial liabilities

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

3 Accounting policies (continued)

***Financial liabilities* (continued)**

Trade and other payables

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

Provisions

The Company recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

Inventories

Inventories of raw materials and packing materials are stated at the lower of cost and net realisable value. Cost, which is determined on the first-in first-out basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

Finished goods are valued at the lower of cost and net realisable value determined on the weighted average basis. Cost comprises of direct materials, direct labour and an appropriate allocation of direct production overheads.

Share capital

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

Treasury shares

Where the Company purchases its own equity shares capital, the consideration paid, including any attributable transaction costs, are deducted from total equity and recorded as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any gain or loss is included in equity.

Deferred revenue

Government grants to purchase property, plant and equipment are recognised as deferred income until the conditions of the grant have been met. Upon meeting the conditions, the grant is transferred to other income or netted against property, plant and equipment.

Employees' 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.

3 Significant accounting policies (continued)

Employees' benefits (continued)

Post employment benefits

Employee benefits and entitlements to annual leave, holiday 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 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.

Revenue recognition

Sale of goods

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

Determining the transaction price

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

Other income
Dividend income from investments is recognised when declared. Bank interests and other income are recognised on accrual basis.

Other operating expenses

Overhead expenses are allocated to chickens, feeds and chicks cost center on a pro rata basis.

Proposed appropriations

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

Board members' remuneration

Board members' remuneration is recognised in the statement of profit or loss on accrual basis.

3 Significant accounting policies (continued)

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. 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.

Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Company obtains substantially all the economic benefits from use of the asset; and
(c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

3 Significant accounting policies (continued)

Leases (continued)

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favor of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount;

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Based on the exemptions available in IFRS 16, low value and short-term leases are not capitalised in the statement of financial position. All payments made towards such leases are charged to the statement of profit or loss on a straight line basis over the period of the lease.

4 Critical accounting judgment 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;
- Impairment of assets;
- fair value measurement;
- going concern;
- determination of lease term and borrowing rates;
- economic life of right of use assets; 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. Economic useful 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 financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset at amortized cost. 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 discounted cash flows 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.

4 Critical accounting judgment and key source of estimation uncertainty (Continued)

Fair valuation of investments (continued)

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 that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows 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.

Impairment of assets

(a) Financial assets

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its trade receivables and debt instruments carried at amortised cost, FVTPL and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company creates provision for impaired trade and other receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2019, in the opinion of the management, a provision of BD75,190 (2018: BD63,720) is required for impaired trade and other receivables. When evaluating the adequacy of the 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 the financial statements.

(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.

The Company creates provision for obsolete and slow-moving inventories. At 31 December 2019, in the opinion of the Company's management, no provision was required for obsolete and slow-moving inventories (2018: BDNil). When evaluating the adequacy of an allowance for obsolete and slow-moving inventories, management bases its estimate on current overall economic conditions, ageing of the inventories, historical write-off experience, and non movements in inventories. Changes in the economy, industry or specific inventory conditions may require adjustments to the allowance for obsolete and slow moving inventories recorded in the financial statements.

4 Critical accounting judgment and key source of estimation uncertainty (Continued)

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 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 2019 is shown in Note 30.

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.

Determination of lease term and the borrowing rates for leases

The management of the Company exercises judgment while determining if it is reasonably certain while exercising the lease options at the commencement as well as during the lease term. The carrying value of lease liabilities are revised based on certain the variable elements of the future lease payments like rates or index. Determination of incremental borrowing rates used to determine the carrying value of lease liabilities and the discount rates used to determine the carrying value of right-of-use of lease rights involve, to certain extent, management estimates. Any changes to management estimate may have an impact on the term as well as the carrying values of the lease assets and liabilities.

Economic life of right of use assets

Right of use assets are amortised over their economic useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of profit or loss in specific periods.

The Company's right of use assets are amortised on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

Economic useful lives of right of use assets 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.

4 Critical accounting judgment and key source of estimation uncertainty (Continued)

Contingencies

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

5 Property, plant and equipment

	Buildings	Plant and machinery	Furniture, vehicles, tools, IT and software	Total
Cost				
At 31 December 2017	3,974,983	5,653,443	2,432,803	12,061,229
Additions	57,765	118,890	265,573	442,228
Disposals	-	-	(1,551)	(1,551)
At 31 December 2018	4,032,748	5,772,333	2,696,825	12,501,906
Additions	15,100	666,436	213,070	894,606
At 31 December 2019	4,047,848	6,438,769	2,909,895	13,396,512
Accumulated depreciation				
At 31 December 2017	3,513,763	4,212,735	1,760,255	9,486,753
Charge for the year	40,839	154,403	191,222	386,464
On disposals	-	-	(1,487)	(1,487)
At 31 December 2018	3,554,602	4,367,138	1,949,990	9,871,730
Charge for the year	40,389	173,902	217,159	431,450
At 31 December 2019	3,594,991	4,541,040	2,167,149	10,303,180
Net book value				
At 31 December 2019	452,857	1,897,729	742,746	3,093,332
At 31 December 2018	478,146	1,405,195	746,835	2,630,176

The depreciation charge for the year has been allocated as follows:

	31 December 2019	31 December 2018
Cost of sales (Note 23)	375,453	335,008
Other operating expenses (Note 24)	55,997	51,456
	431,450	386,464

The reclaimed land at Mina Salman on which the feedmill is built, the land at Hamala on which the administration and the slaughter house were built, and the land at Buhair on which chicks hatchery is built are all leased by the Company from the Government.

6 Investment in an associate

The following investments have been included in the financial statements using the equity method:

Name of associate company	Country of incorporation	Principal activities	Effective ownership interest 2019	Effective ownership interest 2018
Bahrain Livestock Company B.S.C. (c)	Kingdom of Bahrain	Import, export and sale of livestock	36.26%	36.26%

	Carrying amount	Goodwill	31 December 2019	31 December 2018
Opening balance	1,573,992	61,084	1,635,076	1,802,628
Company's share in loss for the year	(52,555)	-	(52,555)	(168,414)
Company's share of the associate's net change in fair value of the investments and other reserves	(9,366)	-	(9,366)	862
Closing balance	1,512,071	61,084	1,573,155	1,635,076

Summary of financial information of associate	31 December 2019	31 December 2018
Current assets	4,779,682	4,888,085
Non-current assets	766,757	805,346
Total assets	5,546,439	5,693,431
Current liabilities	1,376,360	1,352,583
Total liabilities	1,376,360	1,352,583
Net assets	4,170,079	4,340,848
Company share of net assets (36.26%)	1,512,071	1,573,992
Revenue	7,788,204	5,792,836
Expenses	(7,933,143)	(6,256,841)
Net loss	(144,939)	(464,005)
Company's share of net loss for the year	(52,555)	(168,414)
Other comprehensive (loss)/income	(25,830)	2,377
Company's share of other comprehensive (loss)/income	(9,366)	862

The Company owns 36.26% share in Bahrain Livestock Company B.S.C. (c). The results and statement of financial position accounted for in these financial statements are based on unaudited financial statements of the associate for the year ended 31 December 2019 (2018: unaudited financial statements for the year ended 31 December 2018), being the latest available information.

7 Right-of-use assets

	Lands	Total
Cost		
Additions on adoption of IFRS 16 (Note 2) and as at 31 December 2019	605,484	605,484
Amortisation		
Amortisation charge for the year and as at 31 December 2019	(26,760)	(26,760)
Carrying value		
31 December 2019	578,724	578,724

8 Financial assets at fair value through other comprehensive income

	31 December 2019	31 December 2018
Opening	2,971,304	-
Reclassification from available for sales on adoption of IFRS 9	-	3,181,264
Change in fair value recognised in other comprehensive income	632,151	76,144
Disposals during the year	(430,511)	(286,104)
Closing balance	3,172,944	2,971,304

Analysis of investments	31 December 2019	31 December 2018
Quoted equity securities	2,829,825	2,625,692
Unquoted equity securities	343,119	345,612
	3,172,944	2,971,304

The investments are denominated in the following currencies:

Currency (Equivalent in Bahraini Dinars)	**31 December 2019**	**31 December 2018**
Bahraini Dinars	1,675,736	1,956,748
United States Dollars	1,186,091	703,439
Omani Riyal	310,684	310,684
UAE Dirhams	433	433
	3,172,944	2,971,304

Financial assets measured at fair value through other comprehensive income include the Company's strategic equity investments that are not held for trading. The Company has made an irrevocable election to classify the equity investments at fair value through other comprehensive income rather than through profit or loss because this is considered to be more appropriate for these strategic investments.

The fair value of quoted investments is based on published market prices. The fair value of the unquoted investments in the opinion of management is equal to its cost as due to the wide range of possible fair value measurement and cost represents the best estimate of fair value within that range.

9 Financial assets at fair value through profit or loss

	31 December 2019	31 December 2018
Opening balance	668,095	-
Reclassification from available for sales on adoption of IFRS 9	-	637,820
Unrealised fair value gains for the year	21,776	30,275
Closing balance	689,871	668,095

The financial assets at fair value through profit or loss represents managed funds and denominated in the following currencies:

Currency (Equivalent in Bahraini Dinars)	31 December 2019	31 December 2018
United States Dollars	343,751	318,571
Great British Pounds	346,120	349,524
	689,871	668,095

The fair value of this managed funds is based on the fund managers valuation received as at 31 December 2019.

10 Investments at amortised cost

	31 December 2019	31 December 2018
Opening balance	750,000	-
Reclassified form held-to-maturity investments on adoption of IFRS 9	-	1,250,000
Matured during the year	(250,000)	(500,000)
	500,000	750,000

Analysis of investments	31 December 2019	31 December 2018
Bahrain government development bonds	250,000	500,000
Islamic leasing sukuk Kingdom of Bahrain	250,000	250,000
	500,000	750,000

Investments at amortised cost represent Government of Kingdom of Bahrain bonds carrying coupon interest ranging between 4.5% to 5.5% (2018: 4.5% to 5.5%) and having maturity period ranging between 1 year to 6 years (2018: 1 year to 7 years).

Investments at amortised cost are denominated in Bahraini Dinars.

The Company classifies its debt instruments under amortised cost representing financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

11 Inventories

	31 December 2019	31 December 2018
Finished goods		
- Feed	42,437	533,535
- Frozen/chilled chicken	324,845	184,077
Hatching eggs - hatchery	103,243	129,088
Raw material and packing materials	1,516,422	958,223
Spare parts for plant and machinery	1,015,190	1,081,420
	3,002,137	2,886,343

12 Trade and other receivables

	31 December 2019	31 December 2018
Gross receivables	1,558,107	1,651,905
Less: provision for impairment	(75,190)	(63,720)
	1,482,917	1,588,185
Advances to suppliers	437,336	739,165
Other receivables	139,162	102,477
Less: impairment provision on other receivables	(15,528)	(15,528)
	2,043,887	2,414,299

Trade receivables are generally on 30 to 60 days credit terms.

The movement in the provision for impaired trade receivables is as follows:

	31 December 2019	31 December 2018
Opening balance	63,720	4,369
Increase in provision for impaired trade receivables upon adoption of IFRS 9	-	96,280
Adjusted balance as at 1 January 2018	63,720	100,649
Provision during the year	26,682	3,291
Provision written back during the year (Note 21)	(15,212)	(25,584)
Provision written-off during the year	-	(14,636)
Closing balance	75,190	63,720

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Company's historical credit losses experienced over a year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

12 Trade and other receivables (continued)

On that basis, the allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

31 December 2019	0-30 days overdue	30-60 days overdue	60-90 days overdue	90+ days overdue	Total
Expected loss rate	0.15%	0.16%	0.15%	41.59%	
Trade receivables	756,332	28,523	3,932	177,985	966,772
Government and farmers*	-	-	-	-	591,335
Loss allowance	1,116	46	6	74,022	75,190

31 December 2018	0-30 days overdue	30-60 days overdue	60-90 days overdue	90+ days Overdue	Total
Expected loss rate	1.44%	1.53%	1.61%	85.02%	
Trade receivables	489,379	157,541	29,575	63,270	739,765
Government and farmers*	-	-	-	-	912,140
Loss allowance	7,032	2,417	477	53,794	63,720

*Government and farmer debtors excluded from the calculation:

- **Farmers:** The Company has receivables as well as payables and as at the year end the Company has a net payable to the farmers.
- **Government organisations:** The Company has receivables with the Government entities and likelihood of sovereign Government default is remote unless there is a bill dispute raised by them. Receivables from Government are also subject to the impairment requirements of IFRS 9 however, the identified impairment loss was immaterial.

Unimpaired trade receivables are expected to be fully recoverable and unsecured. It is not the policy of the Company to obtain collateral against the trade receivables. In the opinion of the Company's management, the fair values of the trade and other receivables are not expected to be significantly different from their carrying values.

The Company's trade receivables are primarily denominated in Bahrain Dinars.

13 Cash and bank balances

	31 December 2019	31 December 2018
Current account balances with banks	314,963	234,250
Cash on hand	186,260	97,529
	501,223	331,779

The current account balances with banks are non-interest bearing.

14 Share capital

	31 December 2019	31 December 2018
Authorised		
100,000,000 ordinary shares of 100 fils each (2018: 100,000,000 ordinary shares of 100 fils each)	10,000,000	10,000,000
Issued, subscribed and fully paid-up:		
31,209,277 ordinary shares of 100 fils each (2018: 31,209,277 ordinary shares of 100 fils each)	3,120,928	3,120,928
Treasury shares:		
613,933 treasury shares (2018: 596,308 shares)	122,398	118,093

14 Share capital (continued)

During the year 2019, 17,625 ordinary shares were acquired by the Company at an average rate 244 fils. (2018:Nil). The consideration paid was BD4,305 on these shares has been recorded under treasury shares.

Additional information on shareholding pattern

i) The names and nationalities of the major shareholders holding 5% or more of the issued shares as at 31 December 2019 and 31 December 2018 are as follows:

2019	Nationality	Number of shares	Percentage of share-holding interest
Social Insurance Organization	Bahraini	6,002,032	19.23%
Bahrain Mumtalakat Holding Co B.S.C. (c)	Bahraini	4,681,383	15.00%
Trafco Group B.S.C.	Bahraini	3,159,366	10.12%
Abdulhameed Zainal Mohammed	Bahraini	2,319,630	7.43%
Fouad Ebrahim Yusuf Al Mutawa	Bahraini	2,004,020	6.42%

2018	Nationality	Number of shares	Percentage of share-holding interest
Social Insurance Organization	Bahraini	6,002,032	19.23%
Bahrain Mumtalakat Holding Co B.S.C. (c)	Bahraini	4,681,383	15.00%
Trafco Group B.S.C.	Bahraini	3,159,366	10.12%
Abdulhameed Zainal Mohammed	Bahraini	2,319,630	7.43%
Fouad Ebrahim Yusuf Al Mutawa	Bahraini	2,004,020	6.42%

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

iii) The distribution of the Company's equity shares analysed by the number of shareholders and their percentage of shareholding as at 31 December is set out below:

2019	Number of shareholders	Number of shares	Percentage of total outstanding shares *
Less than 1%	1,498	9,500,859	30.44%
Between 1% and 5%	7	3,541,987	11.35%
Between 5% and 10%	2	4,323,650	13.85%
Between 10% and 20%	3	13,842,781	44.36%
	1,510	31,209,277	100%

2018	Number of shareholders	Number of shares	Percentage of total outstanding shares *
Less than 1%	1,506	9,841,338	31.53%
Between 1% and 5%	6	3,201,508	10.26%
Between 5% and 10%	2	4,323,650	13.85%
Between 10% and 20%	3	13,842,781	44.35%
	1,517	31,209,277	100%

* Expressed as a percentage of total shares of the Company.

14 Share capital (continued)

Additional information on shareholding pattern (continued)

iv) Details of the directors' interests in the Company's shares as at 31 December 2019 and 31 December 2018 are as follows:

	2019 Number of shares	2018 Number of shares
Abdul Rahman Mohamed Jamsheer *(Chairman)*	157,878	157,878
Ebrahim Abdali Al Daaysi*	-	105,000
Abdulhussain Khalil Dewani *(Vice Chairman)*	420,420	420,420
Yousuf Saleh Al Saleh	319,200	319,200
Abdulredha Mohamed Al Daylami	21,000	21,000
Talal Mohamed Abdulla Al Mannai	262,500	262,500
Esaam Abdul Hameed Zainal**	52,500	-
Jaffar Mohamed Ali Al Dhaif	60,000	105,000
Fouad Ebrahim Yousif Almutawa	2,004,020	2,004,020
	3,297,518	3,395,018

* Director up to 21 March 2019
**Director from 21 March 2019

15 Reserves

(i) Statutory reserve
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. As this requirement has been met, no amount has been transferred to the statutory reserve for the year ended 31 December 2019 (2018: BDNil).

(ii) General reserve
This is a distributable general reserve intended to fund future capital expenditure.

(iii) Development and raw material reserve
This reserve has been recommended to confront the sudden world-wide increase in raw material prices and for future expansion and development. There are no restrictions on the distributions of this reserve.

(iv) Investment fair value reserve
The fair value reserve includes the gains and losses arising from changes in fair value of financial asset at fair value through other comprehensive income and is recognised in the statement of other comprehensive income. During the year, the unrealised fair value net gain amounting to BD622,785 (2018: fair value gain of BD77,006) has been transferred to the investment fair value reserve.

(v) Retained earnings
The retained earnings represent the remaining surplus in the equity which available for distribution to the shareholders.

16 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 2019 amounted to BD163,506 (2018: BD144,135).

16 Employees' terminal benefits (continued)

Expatriate employees

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

	31 December 2019	31 December 2018
Opening balance	23,685	23,362
Provision for the year	6,811	7,428
Payment during the year	-	(7,105)
Closing balance	30,496	23,685
The number of staff employed by the Company	204	198

17 Lease liabilities

	31 December 2019	31 December 2018
Opening balance	-	-
Additions on adoption of IFRS 16 (Note 2)	605,484	-
Interest expense	20,312	-
Lease payments	(25,225)	-
Closing balance	600,571	-
Less: current portion of lease liabilities	(38,814)	-
Non-current portion of lease liabilities	561,757	-

Maturity analysis - contractual undiscounted cash flows:

	31 December 2019	31 December 2018
Less than one year	38,814	-
More than one year and less than five years	561,757	-
Total undiscounted lease liabilities	600,571	-

18 Trade and other payables

	31 December 2019	31 December 2018
Trade payables	645,580	481,898
Unclaimed dividends	202,871	227,942
Provision for board remuneration	-	26,148
Provision for staff related costs	91,060	137,877
Miscellaneous payables	164,467	171,770
	1,103,978	1,045,635

Trade payables are generally settled within 30 to 90 days of the suppliers' invoice date.

The amounts stated above equal their fair value as the impact of discounting is not considered significant by management.

19 Bank overdrafts

	31 December 2019	31 December 2018
Bank overdrafts	-	281,325
Bank overdraft limit	500,000	800,000

The Company has bank overdraft facilities to finance the working capital requirements of the Company, which bear an effective interest rate of BIBOR%+2.5% per annum and with no fixed repayment terms.

20 Deferred income

	31 December 2019	31 December 2018
Deferred income	221,310	60,495
Less: current portion of deferred income	(13,806)	(6,935)
Non-current portion of deferred income	207,504	53,560

Deferred income relates to a grant received from Tamkeen amounting to BD69,352 in 2018 and BD171,757 in 2019 and recognised as other income over the estimated useful life of the related assets being 10 years. That portion of deferred income which is to be amortised within one year from the date of financial statement is classified as current portion of deferred income.

21 Other income

	31 December 2019	31 December 2018
Provision written back during the year (Note 12)	15,212	25,584
Miscellaneous income	11,313	12,785
Tamkeen support for purchase of machinery	10,943	8,857
Other sales	6,839	8,189
Tamkeen support for wages subsidies	-	8,477
Reversal of dividend payables	20,640	-
	64,947	63,892

22 Segmental information

The Company has four main business segments: Chicken, Feed, Chicks and investments and operates in Bahrain only. Accordingly, no geographical segmental information is presented.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss as included in the internal management reports that are reviewed by the Company's General Manager and the Board of Directors. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

22 Segmental information (continued)

Segment assets include all operating assets used by a segment and consist primarily of trade and other receivable, net of impairment provision, inventories and property, plant and equipment. The majority of assets can be directly attributed to individual segments, and any common assets between the segments have been disclosed as unallocated.

Segment liabilities include all operating liabilities and consist principally of trade and other payables and accrued expenses. All common liabilities between the segments have been disclosed as unallocated.

2019	Chicken	Feed	Chicks	Investments	Unallocated	Total
Sales	8,826,095	4,574,248	1,948,021	-	-	15,348,364
Cost of sales	(8,866,668)	(4,558,954)	(1,607,062)	-	-	(15,032,684)
Gross (loss)/profit	(40,573)	15,294	340,959	-	-	315,680
Other income	2,658	5,469	3,798	-	53,022	64,947
Other operating expenses	(411,726)	(202,220)	(76,336)	-	-	(690,282)
(Loss)/profit from operation	(449,641)	(181,457)	268,421	-	53,022	(309,655)
Investments income	-	-	-	221,618	-	221,618
Share of loss in an associate	-	-	-	(52,555)	-	(52,555)
Finance costs	(6,144)	(12,635)	-	-	(4,834)	(23,613)
Unrealised fair value gains on financial assets at fair value through profit or loss	-	-	-	21,776	-	21,776
(Loss)/profit for the year	(455,785)	(194,092)	268,421	190,839	48,188	(142,429)
Total Company assets	4,393,631	3,380,645	671,299	5,935,970	773,728	15,155,273
Total Company liabilities	582,648	576,205	49,114	-	748,388	1,956,355

22 Segmental information (continued)

2018	Chicken	Feed	Chicks	Investments	Unallocated	Total
Sales	8,924,888	5,030,923	1,928,091	-	-	15,883,902
Cost of sales	(8,521,852)	(4,819,344)	(1,602,925)	-	-	(14,944,121)
Gross profit	403,036	211,579	325,166	-	-	939,781
Other income	3,118	986	2,867	-	56,921	63,892
Other operating expenses	(408,626)	(231,089)	(76,861)	-	(8,810)	(725,386)
(Loss)/profit from operation	**(2,472)**	**(18,524)**	**251,172**	-	**48,111**	**278,287**
Investments income	-	-	-	255,040	-	255,040
Share of loss in an associate	-	-	-	(168,414)	-	(168,414)
Finance costs	-	-	-	-	(3,811)	(3,811)
Unrealised fair value gains on financial assets at fair value through profit or loss	-	-	-	30,275	-	30,275
(Loss)/profit for the year	(2,472)	(18,524)	251,172	116,901	44,300	391,377
Total Company assets	3,942,276	2,719,940	451,226	6,024,475	1,149,155	14,287,072
Total Company liabilities	432,688	102,638	10,642	-	865,172	1,411,140

23 Cost of sales

	Chicken	Feed	Chicks	Year ended 31 December 2019	Year ended 31 December 2018
Raw materials costs	6,796,786	4,097,340	1,363,304	12,257,430	12,389,789
Staff costs	955,880	170,108	145,546	1,271,534	1,210,120
Depreciation (Note 5)	275,713	80,330	19,410	375,453	335,008
Other costs	838,289	211,176	78,802	1,128,267	1,009,204
	8,866,668	4,558,954	1,607,062	15,032,684	14,944,121

24 Other operating expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Staff costs	440,421	403,461
Depreciation (Note 5)	55,997	51,456
Board of directors and executive committee remuneration and fees	51,950	81,348
Professional fees	17,182	20,142
Others expenses	124,732	168,979
	690,282	725,386

25 Investment income

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income	63,079	86,411
Dividend income	158,539	168,629
	221,618	255,040

26 Earnings per share

	31 December 2019	31 December 2018
Net (loss)/ profit for the year	(142,429)	391,377
Weighted average number of shares outstanding	30,595,344	30,612,969
(Loss)/earning/per share (fils)	Fils (5)	Fils 13

The earnings per share has been computed on the basis of net loss for the year ended 31 December 2019 divided by the weighted average number of shares outstanding for the period total of 31,209,277, net of 613,933 treasury shares. The Company does not have any potentially dilutive ordinary shares; hence the diluted earnings per share and basic earnings per share are identical.

27 Directors' remuneration and Dividends

Directors' remuneration

Accrued and expensed

No directors' remuneration accrued and expensed in 2019. (2018: BD26,148). Directors' remuneration is expensed in the statement of profit or loss to the year which it pertains.

Proposed by the Board of Directors

The Board of Directors of the Company propose to pay directors' remuneration of BD nil for the year ended 31 December 2019 (2018: BD26,148) This is subject to the approval of shareholders in the Annual General Meeting.

Dividends

Declared and paid

The Annual General Meeting of shareholders held on 21 March 2019 has approved 5% (2017:5%) cash dividends of share nominal value amounting to BD153,065 for the year ended 31 December 2018 (2017: BD153,066).

27 Directors' remuneration and Dividends (continued)

Dividends (continued)

Proposed by the Board of Directors

The Board of Directors of the Company have proposed to pay a cash dividend of BD nil (2018: BD153,065 at 5 fils per share) representing nil% (2018:5%) of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2019. 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.

28 Transactions and balances with related parties

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

Transactions with entities controlled by directors, or over which they exert significant influence are as per the fixed contract price agreed by the Company, government and those entities. Other related party transactions are conducted on a normal commercial and arm's length basis.

The related party transactions and balances included in these financial statements are as follows:

	31 December 2019				31 December 2018			
	Receivables	Payables	Sales	Purchases	Receivables	Payables	Sales	Purchases
Major shareholders	128,125	-	674,939	-	194,757	-	1,054,132	-
Entities controlled by directors	5,045	(42)	457,402	592,482	1,533	98	423,495	644,092
	133,170	(42)	1,132,341	592,482	196,290	98	1,477,627	644,092

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

	31 December 2019	31 December 2018
Executive directors' remuneration	4,500	18,000
Board of directors' remuneration	-	26,148
Board of directors' attendance fees	47,450	37,200
	51,950	81,348

29 Contingent liabilities

	31 December 2019	31 December 2018
Outstanding letters of credit and guarantees in the ordinary course of business	64,825	478,568

30 Financial assets and liabilities and risk management

Financial assets and financial liabilities. Financial assets of the Company include cash and bank balances, trade and other receivable, investments at amortised cost and financial asset at fair value. Financial liabilities of the Company include trade payables and certain other current liabilities.

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

- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit or loss
- Investments at amortised cost
- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables

A summary of the financial instruments held by category is provided below as at 31 December 2019 and 31 December 2018:

2019	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Other amortised cost	Total carrying amount	Fair value
Financial assets:						
Cash and bank balances	-	-	501,223	-	501,223	501,223
Trade and other receivables excluding prepayments	-	-	1,606,551	-	1,606,551	1,606,551
Financial assets at fair value through other comprehensive income	3,172,944				3,172,944	3,172,944
Financial assets at fair value through profit or loss	-	689,871	-	-	689,871	689,871
Investment at amortised cost	-	-	500,000	-	500,000	500,000
	3,172,944	689,871	2,607,774	-	6,470,589	6,470,589
Financial liabilities:						
Trade and other payables	-	-	-	1,103,978	1,103,978	1,103,978

30 Financial assets and liabilities and risk management (continued)

2018	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Other amortised cost	Total carrying amount	Fair value
Financial assets:						
Cash and bank balances	-	-	331,779	-	331,779	331,779
Trade and other receivables excluding prepayments	-	-	1,675,134	-	1,675,134	1,675,134
Financial assets at fair value through other comprehensive income	2,971,304	-	-	-	2,971,304	2,971,304
Financial assets at fair value through profit or loss	-	668,095	-	-	668,095	668,095
Investment at amortised cost	-	-	750,000	-	750,000	750,000
	2,971,304	668,095	2,756,913	-	6,396,312	6,396,312
Financial liabilities:						
Bank overdrafts	-	-	-	281,325	281,325	281,325
Trade and other payables	-	-	-	1,045,635	1,045,635	1,045,635
	-	-	-	1,326,960	1,326,960	1,326,960

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

- credit risk
- liquidity risk
- market risk
- interest rate risk
- foreign exchange risk

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

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

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

30 Financial assets and liabilities and risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company is exposed to credit risk primarily on its cash and cash equivalents, accounts receivable and debt instruments.

Company's credit risk on cash and cash equivalents is limited as these are placed with banks in Bahrain having good credit ratings.

About 40% (2018:40%) of the sales are received in cash and the balance being made through credit. The Company manages its credit risk on accounts receivables by restricting its credit sales only to approved list endorsed by the General Manager and ensuring that the sales to related parties are as per the internal policies established for transactions with the related parties. Since all of sales of the Company are within Bahrain there is no significant geographical or customer type concentration of credit risk involved in accounts receivable balances. The Company perceives that the account receivable balances are of good credit quality as these are primarily receivable from: a) vendors where the Company has net payable balances, b) customers with good credit standing, and c) related parties with good financial position.

The Company establishes provision for impairment of accounts receivables when there is objective evidence that the Company 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 reorganization, and default or delinquency in payments are considered indicators that the accounts receivable is impaired.

The Company manages credit risk on its investments by ensuring that investments are made only after careful credit evaluation and due diligence of the issuer of the security. The Company limits its exposure to credit risk by mainly investing in debt instruments structured notes managed or promoted by established bank or financial institutions. The Company has an executive 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 Executive Committee for its approval. Executive Committee approves the proposal after considering all merits and demerits of the proposal.

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:

	31 December 2019	31 December 2018
Cash and bank balances	501,223	331,779
Trades and other receivables, net of prepayments	1,606,131	1,675,134
Financial assets at fair value through other comprehensive income	3,172,944	2,971,304
Financial assets at fair value through profit or loss	689,871	668,095
Investment at amortised cost	500,000	750,000
	6,470,169	6,396,312

30 Financial assets and liabilities and risk management (continued)

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company'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 Company's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company ensures that a significant amount of the funds are invested in cash and cash equivalents, which are readily available to meet liquidity requirements.

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 Company'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. All such transactions are carried out within the guidelines set by the Board of Directors.

Geographical concentration of investments

	31 December 2019	31 December 2018
Kingdom of Bahrain	3,748,891	3,639,399

Investment fair value sensitivity analysis is as follows:

Description	Change	Impact on equity
Financial assets at fair value	+/-5%	187,445
Financial assets at fair value	+/-10%	374,889

Other market price risk

The primary goal of the Company's investment strategy is to ensure risk free returns and invest excess surplus fund available with the Company in risk free securities. Market price risk arises from financial assets at fair value held by the Company. The Company's executive committee monitors its investment portfolio considering prevalent market factors. Significant investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Executive Committee.

30 Financial assets and liabilities and risk management (continued)

Interest rate risk

Interest rate risk is the risk that the Company's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

The Company's interest rate risk is limited to its interest bearing bank overdraft and investment in debt instruments. The Company's bank overdraft at fixed interest rates and due on short term period. The Company's investment in debt instruments is at variable interest rates.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	31 December 2019	31 December 2018
Investments at amortised cost	500,000	750,000

Change in market interest rate will not have a significant impact on the carrying value of the bank deposits due to short term characteristics of these deposits and investments.

Foreign exchange risk

Foreign exchange risk is the risk that the Company's earnings will be affected as a result of fluctuations in currency exchange rates.

The Company has exposure to foreign exchange risk on its purchases invoiced in foreign currency, on cash sales in foreign currency and on its certain investment in foreign currency. Predominantly, the purchase of product 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 company is not exposed to any significant risk.

The Company 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 dinar, is not significant.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2019 and 2018.

30 Financial assets and liabilities and risk management (continued)

Capital management (continued)

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

	31 December 2019	31 December 2018
Bank overdrafts	-	281,325
Trade and other payables	1,103,978	1,045,635
Less: cash and bank balances	(501,223)	(331,779)
Net debt	602,755	995,181
Total capital	13,198,918	12,875,932
Total capital and net debt	13,801,673	13,871,113
Gearing ratio	4.37%	7.17%

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, bank overdrafts and trade and other payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2019 and 2018.

30 Financial assets and liabilities and risk management (continued)

Fair value measurement (continued)

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

	Fair value	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
As at 31 December 2019					
Financial assets					
Quoted investments	2,829,825 (2018: 2,625,691)	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted investments and managed funds	1,032,990 (2018: 1,013,707)	L3	Net assets valuation and financial updates received from the respective companies and the fund managers	Expected exit rates, expected future cash flows, net assets and expected profits based taking into account management knowledge and experience of market conditions similar to industry trends.	The higher the future cash flows or profits the higher the fair value of net assets and eventually higher exit rates.

There are no transfers between levels during the year (2018: None).

30 Financial assets and liabilities and risk management (continued)

Fair value (continued)

In the opinion of Company's management, a reasonable possible change in one significant unobservable input, holding other input constant of level 3 financial instruments is not expected to have a significant impact on the profit or loss and other comprehensive income as well as fair values of level 3 financial instruments as at 31 December 2019.

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

	Unquoted investments and managed funds
At 31 December 2017	1,083,492
Disposals during the year	(104,565)
Unrealised fair value gain included in profit or loss	30,275
Unrealised fair value gain included in other comprehensive income	4,505
At 31 December 2018	1,013,707
Disposals during the year	(2,493)
Unrealised fair value gain included in profit or loss	21,776
At 31 December 2019	1,032,990

31 Subsequent events

There were no events subsequent to 31 December 2019 and occurring before the date of the approval of the financial statements report that are expected to have a significant impact on these financial statements.