Annual Report 2020

Making a Difference

HEAD OFFICE

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P.O. Box 828, Sitra Kingdom of Bahrain
Telephone: +973 17 739 444
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Commercial Registration 10999

AUTHORISED CAPITAL

200,000,000 shares of
BD 0.100 each: BD 20,000,000

PAID UP CAPITAL

BD14,642,854 divided into 146,428,549 ordinary shares each with a nominal value of BD0.100 fully paid

REVIEWING ACCOUNTANTS

EY

COMPANY SECRETARY

Mr. Jad Moukheiber

DIRECTORS

Mr. Abdulla Hassan Buhindi, Chairman
Mr. Shawki Ali Fakhroo, Vice Chairman
Mrs. Mona Yousif Almoayyed
Mr. Mohammed Farouq Almoayyed
Mr. Jehad Yousif Amin
Mr. Redha Abdulla Faraj
Mr. Ahmed Mohammed Yateem
Mr. Suhail Mohammed Hajee

BANKERS

National Bank of Bahrain B.S.C.
Ahli United Bank B.S.C.
Bank of Bahrain & Kuwait B.S.C.
Standard Chartered Bank
HSBC Bank Middle East

His Majesty
King Hamad bin Isa Al Khalifa

The King of the
Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

The Crown Prince and Prime Minister of
the Kingdom of Bahrain

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About Us

BMMI is one of the leading private sector enterprises in Bahrain, with operations in several countries across the Middle East and Africa. The Group represents a dynamic portfolio of global household brands and is a forerunner in the wholesale, distribution, retail and production of food and beverages. The Group is also a fully-fledged international provider of end-to-end supply chain solutions, and integrated facility management, shipping, logistics and procurement services to various governments and organisations.

Established in 1883 as a small shipping agency, today the diversified BMMI Group is powered by a world-class integrated logistics supply chain capability and a robust and professional support infrastructure.

Our Culture

The Group's business philosophy embraces a commitment to 'making a difference' in everything it does.

From developing its people, serving its customers and sustainably contributing to the communities in which it operates, BMMI strives to win hearts and minds every day.

BMMI's Winning Hearts values

Honesty
We practise trust, openness and fairness in all that we do.

Excellence
We are committed to quality output and relationships.

Achievement
We practise the resilience to exceed expectations.

Responsibility
We take full accountability for our actions and our output.

Team Spirit
We believe in the power of 'one team, one heart'.

Together, BMMI's values, principles and ethics work in unison to create a unique workplace where the team is empowered to provide exceptional service.

Our Board of Directors

Mr. Abdulla Hassan Buhindi
Chairman

Mr. Shawki Ali Fakhroo
Vice Chairman

Mrs. Mona Yousif Almoayyed
Director

Mr. Redha Abdulla Faraj
Director

Mr. Ahmed Mohammed Yateem
Director

Mr. Jehad Yousif Amin
Director

Mr. Suhail Mohammed Hajee
Director

Mr. Mohammed Farouq Almoayyed
Director

Executive Management

Mr. Marek Sheridan
CEO

Mr. Robert Smith
COO, Contracting and Logistics

Mr. Hasan Alsharaf
Head of Finance

Remuneration and Nomination Committee:
Mr. Abdulla Buhindi Chairman
Mr. Shawki Fakhroo Vice-Chairman
Mr. Jehad Yousif Amin Director
Mrs. Mona Yousif Almoayyed Director
Mr. Suhail Mohammed Hajee Director

Audit and Risk Committee:
Mr. Redha Abdulla Faraj Chairman
Mr. Mohammed Farouq Almoayyed Director
Mr. Ahmed Mohammed Yateem Director

Executive Committee:
Mr. Shawki Ali Fakhroo Chairman
Mr. Jehad Yousif Amin Vice-Chairman
Mrs. Mona Yousif Almoayyed Director

Investment and Finance Committee:
Mr. Jehad Yousif Amin Chairman
Mr. Abdulla Hassan Buhindi Director
Mrs. Mona Yousif Almoayyed Director
Mr. Shawki Ali Fakhroo Director
Mr. Suhail Mohammed Hajee Director

Chairman's Statement

Mr. Abdulla Hassan Buhindi
Chairman

On behalf of the Board of Directors, it gives me great pleasure to present the Group's Annual Report and consolidated financial statements for the year 2020. The year proved to be unprecedented for BMMI, the region and the world on all counts, positioning us to face exceptional challenges amidst a worldwide lockdown accompanied by severe economic interruption.

During 2020 and amidst the COVID-19 pandemic, the BMMI Group delivered relatively good results despite the regional and international slowdown. I believe that our diversified business model has helped us face these unique challenges, while global economic prospects have shown minor signs of improvement. With that being said, the road to recovery in 2021 will be slow and painful, posing further challenges to our business.

Taking these factors into account, I am pleased to announce that the BMMI team have done excellent work to deliver a net profit of BD4 million a result that is in line with the expectations of our honourable shareholders.

From a business standpoint, 2020 was yet another resilient year. Our retail and distribution capabilities, Alosra supermarket, and Nader Trading have proven to be the resilient backbone we can really be proud of. Our beverages business has also been performing in line with expectations despite a total halt in the hospitality business and the closure of international borders.

We are also proud that in the midst of the pandemic, BMMI has not forgotten its responsibility towards the community. To this end, the Group continued to uphold existing and new initiatives at national, regional, and international levels. The Alosra Charitable Foundation and our Corporate Sponsorship Schemes are a prime example of BMMI's commitment to sustainable development of the societies in the countries in which it operates.

Reflecting on 2020, the future remains unpredictable for us. Maintaining our focus on recovery in 2021, BMMI will revisit its strategy with an aim to secure steady growth, while keeping potential new ventures and markets on its radar. By reviewing our strategy and priorities, we aim to achieve the expected results through a healthy mix of long and short-term strategic goals, opportunities and investments, whilst keeping our focus on diversification, constant risk monitoring and mitigation.

On behalf of the Board of Directors, I would like to express my sincere gratitude to His Majesty the King, and his Royal Highness the Crown Prince and Prime Minister, for their visionary leadership and encouragement of the Kingdom's private sector, as well as the contributions of the late Royal Highness the former Prime Minister, may his soul rest in peace. Special thanks are also due to all Governmental entities and ministries, especially the Ministry of Industry and Commerce, the Central Bank of Bahrain and the Bahrain Bourse, for their constant guidance and support. I would also like to express my most sincere appreciation to the members of the National Medical Taskforce for Combating the Coronavirus (COVID-19) who are still doing an outstanding job with their relentless efforts to keep our community safe. Finally, I also take this opportunity to acknowledge the continued confidence and trust of our shareholders, customers and business partners, and the exceptional dedication and professionalism of our management team and our employees, who have overcome the challenges of 2020 and delivered yet another good year.

CEO's Statement

Mr. Marek Sheridan
CEO

2020 started well, with double digit profit growth of 17% after the first two months. However, the impact of COVID-19 took hold in the last week of February. While the impact of the pandemic has been felt and continues to be felt across the globe in all markets, the hospitality sector - BMMI's prime sector - was decimated in 2020 with full market closures for much of the year and significant restrictions for the balance. Despite this, as well as the closure of the King Fahd Causeway for much of the year, we are proud to report a net profit of BD4 million by year end.

2020 has demonstrated how the diversity of the Group's business interests helps deliver against its corporate goal of sustainable profitability. The Beverages business unit understandably lost significant levels of revenue in the hospitality sector. However, they worked on developing their retail offering and making their products more accessible through the development of a dedicated economy brands outlet to appeal to new market sectors. Additionally, the opening of a three-lane drive through service to minimise customer contact and improve traffic flow, as well as significant progress in eCommerce, all contributed to driving as much as we could out of this badly impacted division. This helped not only deliver short term incremental revenue and profit in 2020, but is also a strategically important investment in preparation for better times in the future. Because of the impact on our Beverage division, the contribution of the Consumer goods business unit was all the more important.

Despite the restricted environment and reduced customer base, the team managed to deliver similar levels of profitability in 2020 as they did in 2019. Furthermore, our supermarket channel had an exceptional year. They delivered strong profits despite the challenges of reduced markets, supply chain issues, and the responsibility of keeping their teams and those they serve safe from COVID-19, all while making essential products available. Supporting the Supermarket and Beverages business units, our newly formed eCommerce channel delivered higher than budgeted profit. While dealing with a surge in demand, they launched new levels of automation to support future growth, as well as new websites and apps for both our Beverages and Supermarket divisions.

Our continuous investment in our supply chain and logistics capabilities over the years also allowed us to continue meeting the needs of our customers despite global supply chain disruption. The cohesiveness of our team, working as a unit across divisions, made this possible, allowing us to retain next day delivery to our retail customers during the pandemic, and supply products to our FMOG clients with no interruption.

The team was able to achieve these results despite one of the most challenging years the global community has experienced in recent memory. Our underpinning commitment to keep our people safe laid the foundation for how we achieved everything we did during the year. From the start, we put in place several measures to ensure the safety and wellbeing of our teams, customers, clients, suppliers and all our various stakeholders. We responded strategically by establishing a crisis committee and reviewing our business continuity plans regularly to ensure we were compliant with all health regulatory guidelines, as well as moving from office to working from home where possible, even if this meant we had to significantly change our processes and systems to adapt to the new environment. Our proactive approach to protecting people helped mitigate the impact on our teams and their ability to continue efficiently and safely offering services to our customers and clients.

Furthermore, we continued to complete and deliver projects that were planned for the year. In addition to our drive through service and extended store for our beverages retail business, the expansion of BSS into Jeddah, and the recertification of our business in Djibouti to the highest international standards, proved that our team continued to offer our customers the best service and to expand our reach.

And while supporting the communities in which we operate has always been a priority to BMMI, 2020 helped us further realise our responsibility in extending a helping hand to those most in need, especially during these trying times. Our list of CSR milestones for the year, available on pages 16 and 17, is a demonstration of our commitment to doing what is right and so are the partnerships we built with NGOs and governmental entities to extend the range of our positive impact.

Our values as an organisation and our strong corporate culture unified us in adapting to challenges while remaining steadfast in our commitment. By working together, we were able to emerge a better, more unified business. 2020 was a tough year, one with significant challenges that tested our resilience and commitment to making a difference. Having come through it, we feel the organisation is fitter, stronger, and more robust than ever to meet the challenges of 2021 and beyond.

I am thankful to each and every one of our employees for contributing to the Group and would like to express my gratitude to the Chairman and Board of Directors for their trust and support in all of our endeavours, as well as all the entities and groups we partnered with during the year to continue making a positive impact everywhere we operate. I would also like to thank the Kingdom of Bahrain's wise leadership for their exceptional efforts to guide the country and keep us safe during this pandemic, as well as their continuous support to businesses.

2020 Milestones

CSR

- BMMI donated BD 200,000 towards the build-up of the Alia Youth House. Alia for Early Intervention is building and operating a Residential Care Facility for developmentally delayed adults. This facility will be available for individuals over the age of 16 and will serve the needs of thirty residents who are moderately developmentally delayed and require habit training.
- BMMI and INJAZ Bahrain signed a memorandum of understanding, resulting in BMMI financially supporting Bahraini students planning to pursue their higher education at the University of Bahrain and Bahrain Polytechnic. The programme will fund each student over the duration of five years to cover university fees, as well as materials necessary to complete their studies. BMMI has committed to support eligible students each year over the course of five years.
- Through collaboration with selected local charities, BMMI donated essential household and electronic items to over 350 families across Bahrain to support those most affected by the spread of the COVID-19 pandemic. White-goods were distributed to vulnerable families equally across the Capital, Northern, Southern and Muharraq governorates.
- BMMI Group endorsed the national campaign ‘Feena Khair’ with BD100,000. The nation-wide COVID-19 relief initiative was headed by His Majesty the King’s Humanitarian Works and Youth Affairs representative, National Security Advisor and Royal Humanitarian Foundation (RHF) Board of Trustees Chairman, His Highness Shaikh Nasser bin Hamad Al Khalifa.
- BMMI collaborated in an initiative by the Rotary Clubs in Bahrain to provide new laptops to help over 120 students in need continue their learning effectively as schooling took place from home in response to the outbreak and spread of the COVID-19 pandemic.
- BMMI donated 55 specialised hospital beds to the Kingdom of Bahrain’s Ministry of Health to help meet an urgent demand in the Salmaniya Medical Complex.
- BMMI donated artificial pancreas insulin pumps and related spare parts to benefit five children with diabetes. The modern devices act as artificial pancreases that secrete insulin needed by the body automatically.
- BMMI supported Bahrain’s Ministry of Labour and Social Development’s ‘Takaful Initiative 2’ by donating 28 specialised wheelchairs that were customised to meet the specific requirements of each individual recipient.
- BMMI donated a brick making machine to Confident Children out of Conflict (CCC)’s orphanage, as well as funded the education of over 20 children, as part of the Group’s commitment to continue sustainable support of the South Sudan NGO.
- To ensure the children at CCC do not experience disruption to their learning, the NGO utilised funds from BMMI to hire three teachers for three months for three subjects: Maths, English and General Science, as the COVID-19 pandemic forced schools to shut down.
- BMMI donated 5 million Djiboutian Francs to the Djibouti’s Ministry of Budget’s special entity dedicated to combating the spread of COVID-19.
- GSS South Sudan’s team paid multiple visits to orphanages in Juba to donate food items and meet with the children throughout the year.
- Alosra supermarket launched its Green Week, in collaboration with the Ministry of Works, Municipality Affairs and Urban Planning, and the Supreme Council for Environment. The event introduced several initiatives in line with the supermarket’s commitment to continuously decrease its environmental impact and raise community awareness about the importance of striving towards a zero-waste lifestyle.
- Alosra supermarket participated in the Bahrain Environment Awareness Week that was organised by Bahrain’s Supreme Council for Environment. As part of the initiative, Alosra distributed 2,000 of their re-usable eco-bags and discussed the steps they have taken toward a lower environmental impact.
- BMMI launched its Happy Hearts corporate wellness programme that aims to support a holistic approach to wellbeing for all employees, with a focus on three pillars: physical activity, diet and nutrition, and mental health.

ACHIEVEMENTS AND UPDATES

- BMMI launched a new warehousing facility in the Bahrain Logistics Zone in Hidd that covers an area of 26,000 sqm and is the latest expansion in the Group's logistics and supply chain capabilities. The bonded warehouse facility in the Bahrain Logistics Zone acts as a hub in Bahrain that supports BMMI's distribution services for 3PL clients across the Gulf Cooperation Council (GCC) region.
- BMMI launched enhanced and redesigned online shopping platforms for its retail businesses, with the aim of improving user experience.
- BMMI's beverages retail outlet store launched a drive thru service.
- BLS, BMMI's logistics arm, achieved no major interruption to logistics or supply chain services, and no incidents of failed deliveries even in the face of challenges presented by the COVID-19 pandemic.
- The BMMI Shipping Services (BMMI) division in the Kingdom of Saudi Arabia introduced the additional service of warehousing in Ras Tanura to better serve customers and clients. The team also provided fenders and brows for rent to the marine industry and navies, as well as for projects.
- BSS started offering its comprehensive services to clients in the Jeddah Islamic Port, in addition to servicing all ports in the Eastern Province in the Kingdom of Saudi Arabia.
- BSS partnered with HALO Maritime Defense Systems as their logistics provider to support their operations in the region.
- BSS handled the husbandry of AIDAprima to ensure that its 1,500 passengers have a safe, secure and pleasant stay to Bahrain.
- The BMMI team met with the President of the Republic of Djibouti, H.E. Ismail Omar Guelleh, to discuss the Group's presence in Djibouti over the past 15 years, as well as BMMI's ambitions and vision for expanding its business in the country and at the regional level.
- BMMI Djibouti breaks its previous record by handling 24,000 metric tons of shipment in one month without a single incident.
- BMMI hosted the Djibouti Virtual Room at the International Stability Operations Association (ISOA) Africa Virtual Match-Making Event. The event included over 90 attendees from across the world, bringing together various key players in the industry and the African market, including several members of BMMI's team.

AWARDS

- BMMI's FMCG division was recognised for achieving the number one position for laundry care product sales for Vileda, beating 17 other distributors and countries in the period from January to December 2019.
- Two BMMI employees were awarded by the Bahrain Ministry of Labour and Social Development in recognition of their outstanding performance. The awards were presented at the Diligent Employee Award ceremony that was held under the presence of His Excellency, Bahrain's Labour and Social Development Minister, Jameel Humaidan.

02/

2020 Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BMMI B.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of BMMI B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BMMI B.S.C. (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

1. Impairment of property, plant and equipment of Banader Hotels Company B.S.C.
Refer to notes 4 and 6 to the consolidated financial statements.

Key audit matter

Property, plant and equipment of the Group includes Downtown Rotana Hotel owned by the Group and having a carrying value of BD 34,895,937, representing 31% of the Group's total assets. The hotel is incurring losses since commencement of its operations in 2016. The management has carried out an assessment of impairment in the carrying value of the hotel by comparing its carrying value to its recoverable amount, which is higher of value in use and the fair value less costs to sell as at 31 December 2020.	The management involved independent accredited independent external valuation expert to assess the recoverable amount based on fair value less costs to sell. The impairment assessment involves number of significant assumptions, judgements and estimates, therefore, we considered this area as a key audit matter.

How the key audit matter was addressed in the audit
Our audit procedures included, amongst others:

- Evaluating the accredited independent external valuation expert's competence, capabilities and objectivity;
- Assessing the appropriateness of the valuation methodologies used by the accredited independent external valuation expert;
- Corroborating the key inputs used in the valuation with independently available information;
- Checking the arithmetical accuracy of the calculation used in the valuation; and
- Evaluating the adequacy of disclosures in the consolidated financial statements.

2. Provision for slow moving and obsolete inventories
Refer to notes 4 and 12 to the consolidated financial statements.

Key audit matter

The Group imports and sells food and other products which have a short life span and expiry period. The Group has gross inventories of BD 14,716,365 as at 31 December 2020.	This area was important for the audit as significant judgement is required in assessing the appropriate level of provision for items which may be slow moving and obsolete. Such judgements include management's expectations of forecast inventory demand, product expiry dates and inventory disposal plan for near expiry items.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BMMI B.S.C. (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

How the key audit matter was addressed in the audit Our audit procedures included, amongst others:
- Observing physical inventory counts at major locations; - Performing detailed testing of a sample of items to assess the cost basis and net realisable value of inventory; - Reviewing the budget for the next year in order to gain an understanding of the forecast inventory demand and inventory disposal plan for near expiry items; - Evaluating the adequacy of provision for slow moving and obsolete inventories as at 31 December 2020; and - Evaluating the adequacy of disclosures in the consolidated financial statements.

Other Information Included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Report of the Board of Directors which forms part of the Group's 2020 Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, 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 the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BMMI B.S.C. (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Board of Directors for the consolidated financial statements (continued)

concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BMMI B.S.C. (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 the Board of Directors 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 Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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

We report that:

a) as required by the Bahrain Commercial Companies Law:

i) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

ii) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements; and

iii) satisfactory explanations and information have been provided to us by management in response to all our requests; and

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BMMI B.S.C. (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Report on Other Legal and Regulatory Requirements (continued)

b) we are not aware of any violations of 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 or the terms of the Company's memorandum and articles of association during the year ended 31 December 2020 that might have had a material adverse effect on the business of the Group or on its consolidated financial position.

c) As required by Article 8 of section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:

i) has appointed a Corporate Governance Officer; and

ii) has a Board of Directors' approved written guidance and procedures for corporate governance.

The partner in charge of the audit resulting in this independent auditor's report is Kazim Merchant.

Ernst + Young

Auditor's Registration
No. 244 25 February 2021
Manama, Kingdom of Bahrain

BMMI B.S.C. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	NOTES	2020	2019
		BD	BD
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**51,162,558**	48,538,585
Right-of-use assets	7	**6,382,691**	7,778,597
Investment property	8	**9,457,725**	9,457,725
Investments in joint ventures	9	**148,535**	1,569,433
Investments	10	**6,933,299**	10,708,092
		74,084,808	78,052,432
CURRENT ASSETS			
Inventories	12	**13,583,804**	11,928,055
Trade and other receivables	13	**21,463,932**	23,560,572
Bank balances and cash	14	**4,611,543**	4,814,777
		39,659,279	40,303,404
TOTAL ASSETS		**113,744,087**	118,355,836
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**14,642,854**	14,642,854
Treasury shares	16	**(1,430,101)**	(1,430,101)
Other reserves	18	**12,452,523**	14,009,286
Retained earnings		**42,311,193**	42,388,724
Equity attributable to shareholders of BMMI B.S.C.		**67,976,469**	69,610,763
Non-controlling interests	31	**285,195**	1,705,939
Total Equity		**68,261,664**	71,316,702
NON-CURRENT LIABILITIES			
Loans and borrowings	19	**15,402,572**	14,875,992
Lease liabilities	20	**5,274,324**	6,408,530
Employees' end of service benefits	21	**2,125,198**	1,935,586
		22,802,094	23,220,108
CURRENT LIABILITIES			
Trade and other payables	22	**9,209,162**	11,798,604
Loans and borrowings	19	**7,086,726**	6,332,502
Bank overdrafts	14	**3,387,540**	3,372,230
Lease liabilities	20	**1,463,830**	1,083,917
Retentions payable		**1,378,645**	1,174,121
Income tax payable		**154,426**	57,652
		22,680,329	23,819,026
TOTAL LIABILITIES		**45,482,423**	47,039,134
TOTAL EQUITY AND LIABILITIES		**113,744,087**	118,355,836

Abdulla Hassan Buhindi
Chairman

Shawki Fakhroo
Vice Chairman

BMMI B.S.C. CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020	2019
		BD	BD
Revenue	23	**96,410,423**	104,333,781
Costs of revenue		**(75,474,234)**	(73,371,755)
GROSS PROFIT		**20,936,189**	30,962,026
Other operating income	25	**3,374,784**	2,584,913
Selling and distribution expenses		**(9,026,207)**	(9,387,791)
General and administrative expenses		**(11,530,730)**	(14,985,915)
PROFIT FROM OPERATIONS		**3,754,036**	9,173,233
Net investment income	26	**430,202**	722,987
Share of results of joint ventures	9	**(115,133)**	(84,002)
Net losses on investments carried at fair value through profit or loss	10	**(82,635)**	(32,529)
Finance costs	24	**(1,196,179)**	(2,016,811)
PROFIT BEFORE INCOME TAX		**2,790,291**	7,762,878
Income tax expense	27	**(182,949)**	(84,532)
PROFIT OF THE GROUP FOR THE YEAR	24	**2,607,342**	7,678,346
of which loss attributable to non-controlling interests		**1,420,744**	1,556,110
PROFIT OF THE GROUP FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF BMMI B.S.C.		**4,028,086**	9,234,456
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	28	**28**	65

Abdulla Hassan Buhindi
Chairman

Shawki Fakhroo
Vice Chairman

BMMI B.S.C. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	BD	BD
PROFIT OF THE GROUP FOR THE YEAR	2,607,342	7,678,346
OTHER COMPREHENSIVE (LOSS) INCOME		
Items not to be reclassified to the consolidated statement of income in subsequent years:		
- Net changes in fair value of investments classified as fair value through other comprehensive income (note 10)	(809,215)	838,572
Items to be reclassified to the consolidated statement of income in subsequent years:		
- Exchange differences on translation of foreign operations	(397,478)	479,957
- Foreign exchange loss reclassified to consolidated statement of income on disposal of a subsidiary	-	85,663
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	(1,206,693)	1,404,192
TOTAL COMPREHENSIVE INCOME OF THE GROUP FOR THE YEAR	1,400,649	9,082,538
of which loss attributable to non-controlling interests	1,420,744	1,556,110
TOTAL COMPREHENSIVE INCOME OF THE GROUP FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF BMMI B.S.C.	2,821,393	10,638,648

Abdulla Hassan Buhindi
Chairman

Shawki Fakhroo
Vice Chairman

BMMI B.S.C. CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020	2019
		BD	BD
OPERATING ACTIVITIES			
Profit before income tax		**2,790,291**	7,762,878
Adjustments for:			
Depreciation of property, plant and equipment	6	**3,425,992**	3,180,828
Depreciation of right-of-use assets	7	**2,138,332**	1,693,995
Share of results of joint ventures	9	**115,133**	84,002
Losses on investment carried at fair value through profit or loss	10	**82,635**	32,529
Provision (reversal of provision) for slow moving and obsolete inventories	12	**1,041,562**	(246,013)
Allowance for expected credit losses	13	**206,000**	235,480
Provision for employees' end of service benefits	21	**380,156**	413,287
Finance costs	24	**1,196,179**	2,016,811
Gain on disposal of property, plant and equipment	24	**-**	(11,080)
Net investment income	26	**(430,202)**	(722,987)
Gain on disposal of a subsidiary		**-**	(324,473)
Gain on termination of a lease		**(2,062)**	-
Operating profit before working capital changes		**10,944,016**	14,115,257
Working capital changes:			
Inventories		**(2,697,311)**	(110,890)
Trade and other receivables		**1,656,602**	(3,716,326)
Trade and other payables		**(2,703,226)**	(1,878,521)
Net cash generated from operations		**7,200,081**	8,409,520
Income tax paid		**(86,175)**	(37,501)
Directors' remuneration paid		**(193,500)**	(193,500)
Employees' end of service benefits paid	21	**(250,634)**	(146,629)
Net movements in advances against employees' end of service benefits		**60,090**	(44,994)
Net cash flows from operating activities		**6,729,862**	7,986,896
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(1,360,001)**	(1,261,827)
Proceeds from disposal of property, plant and equipment		**4,562**	96,906
Inflows from disposal of a joint venture		**291,394**	161,942
Proceeds from disposal of investments	10	**3,343,721**	2,306,335
Purchase of investments	10	**(460,778)**	-
Dividends and interest received		**430,202**	752,166
Net cash inflow on disposal of a subsidiary		**-**	16,770
Net cash flows from investing activities		**2,249,100**	2,072,292

BMMI B.S.C. CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020	2019
		BD	BD
FINANCING ACTIVITIES			
Dividends paid to shareholders of BMMI B.S.C.	33	(5,043,655)	(7,240,654)
Loans and borrowings availed	33	10,083,468	10,740,750
Loans and borrowings repaid	33	(11,122,282)	(12,154,076)
Interest expenses paid		(1,253,535)	(2,072,474)
Payment of principal amount of lease liabilities	33	(1,494,657)	(1,980,145)
Net movements in retentions payable	33	-	(1,250)
Net cash flows used in financing activities		(8,830,661)	(12,707,849)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		148,301	(2,648,661)
Net foreign exchange differences		(366,845)	538,286
Cash and cash equivalents at 1 January		1,442,547	3,552,922
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	1,224,003	1,442,547

Non-cash Items

- Dividend and interest income receivable amounting to BD 57,356 (2019: BD 29,179) have been excluded from the movement of trade and other receivables.
- Unclaimed dividends pertaining to prior years amounting to BD 772,833 (2019: BD 122,617) have been excluded from the movement of trade and other payables.
- Unpaid donations to relating to the Charity Reserve amounting to BD 184,865 (2019: BD 168,692) have been excluded from the movements of trade and other payables.
- An uncollected amount of BD 291,394 (2019: BD 161,942) which pertain to disposal of investment in a joint venture and collected during the year has been adjusted in the movements of trade and other receivables.
- Disposal of an investment in a joint venture with carrying amount of BD 1,305,765 (note 9) was adjusted against the following items:

	BD
Purchase of property, plant and equipment	4,725,159
Loans and borrowings availed	(2,319,618)
Trade and other payable	(895,252)
Net movement in retentions payable	(204,524)
	1,305,765

BMMI B.S.C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

		EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF BMMI B.S.C.						
	NOTES	SHARE CAPITAL	TREASURY SHARES	OTHER RESERVES (NOTE 18)	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		BD	BD	BD	BD	BD	BD	BD
At 1 January 2020		14,642,854	(1,430,101)	14,009,286	42,388,724	69,610,763	1,705,939	71,316,702
Profit (loss) for the year		-	-	-	4,028,086	4,028,086	(1,420,744)	2,607,342
Other comprehensive loss for the year		-	-	(1,206,693)	-	(1,206,693)	-	(1,206,693)
Total comprehensive (loss) income for the year		-	-	(1,206,693)	4,028,086	2,821,393	(1,420,744)	1,400,649
Final dividend for 2019	17	-	-	-	(4,270,822)	(4,270,822)	-	(4,270,822)
Gain on disposals of investments carried at fair value through other comprehensive income		-	-	(350,070)	350,070	-	-	-
Transfer to charity reserve	18	-	-	184,865	(184,865)	-	-	-
Distribution to Alosra Charitable Foundation		-	-	(184,865)	-	(184,865)	-	(184,865)
Balance at 31 December 2020		**14,642,854**	**(1,430,101)**	**12,452,523**	**42,311,193**	**67,976,469**	**285,195**	**68,261,664**

Retained earnings include non-distributable reserves amounting to BD 340,000 relating to the subsidiaries as at 31 December 2020.

BMMI B.S.C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF BMMI B.S.C.					NON-CONTROLLING INTERESTS	TOTAL EQUITY
		SHARE CAPITAL	TREASURY SHARES	OTHER RESERVES (NOTE 18)	RETAINED EARNINGS	TOTAL		
		BD	BD	BD	BD	BD	BD	BD
At 1 January 2019		14,642,854	(1,430,101)	13,678,045	39,368,046	66,258,844	3,262,049	69,520,893
Profit (loss) for the year		-	-	-	9,234,456	9,234,456	(1,556,110)	7,678,346
Other comprehensive income for the year		-	-	1,404,192	-	1,404,192	-	1,404,192
Total comprehensive income (loss) for the year		-	-	1,404,192	9,234,456	10,638,648	(1,556,110)	9,082,538
Final dividend for 2018	17	-	-	-	(4,270,822)	(4,270,822)	-	(4,270,822)
Interim dividend for 2019	17	-	-	-	(2,847,215)	(2,847,215)	-	(2,847,215)
Gain on disposals of investments carried at fair value through other comprehensive income		-	-	(1,072,951)	1,072,951	-	-	-
Transfer to charity reserve	18	-	-	168,692	(168,692)	-	-	-
Distribution to Alosra Charitable Foundation		-	-	(168,692)	-	(168,692)	-	(168,692)
Balance at 31 December 2019		**14,642,854**	**(1,430,101)**	**14,009,286**	**42,388,724**	**69,610,763**	**1,705,939**	**71,316,702**

Retained earnings include non-distributable reserves amounting to BD 405,681 relating to the subsidiaries as at 31 December 2019.

BMMI B.S.C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

1 CORPORATE INFORMATION AND ACTIVITIES

BMMI B.S.C. ("the Company") is a public joint stock company, whose shares are publicly traded on the Bahrain Bourse, incorporated in the Kingdom of Bahrain and is registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 10999. The postal address of the Company's registered head office is P.O. Box 828, Sitra, Kingdom of Bahrain.

The principal activities of the Company and its subsidiaries (together "the Group") are the wholesale and retail of food, beverages and other consumable items, logistics and shipping services and also the Group owns a five-star hotel in Kingdom of Bahrain. The Group's operations are located in the Kingdom of Bahrain, United Arab Emirates, Kingdom of Saudi Arabia, Republic of Iraq, United States of America, Republic of Djibouti, Republic of Mali, Republic of South Sudan, Republic of Sudan and Republic of Kenya.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 February 2021.
The subsidiaries of the Company are as follows:

Names of subsidiaries	Ownership interest 2020	Ownership interest 2019	Country of incorporation	Principal activities
Nader Trading Company W.L.L.	**100%**	100%	Kingdom of Bahrain	Managing various consumer agencies.
Alosra Supermarket W.L.L.	**100%**	100%	Kingdom of Bahrain	Supermarket management.
Alosra Supermarket International Company	**100%**	100%	Kingdom of of Saudi Arabia	Supermarket management.
Banader Hotels Company B.S.C.	**54%**	54%	Kingdom of Bahrain	Ownership and operations of Downtown Rotana Bahrain.
BMMI s.a.r.l.	**100%**	100%	Republic of Djibouti	Air transport activity, storage and distribution, import and export.
Bayader Company Restaurant Management W.L.L.	**100%**	100%	Kingdom of Bahrain	Management services for hotels and restaurants for tourists.
BMMI Food Services W.L.L.	**100%**	100%	Kingdom of Bahrain	Manufacturing of food and catering services.
Gulf Ships for Sea Freight and Maritime Services	**100%**	100%	Kingdom of of Saudi Arabia	Managing cargo handling, shipping and freight services.
McGettigan Hospitality Management Co W.L.L.	**80%**	80%	Kingdom of Bahrain	Hospitality management.
Fasttrack Export L.L.C.	**100%**	100%	State of Florida, U.S.A.	No business activities have commenced yet.
Ardh Al Ahad For General Trading L.L.C.	**100%**	100%	Republic of Iraq	Provisioning of catering and housekeeping services.
BMMI International Holding W.L.L.	**100%**	100%	Kingdom of Bahrain	Holding company for a group of commercial, industrial or service companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

1 CORPORATE INFORMATION AND ACTIVITIES (Continued)

Names of subsidiaries	Ownership interest 2020	2019	Country of incorporation	Principal activities
BMMI International Holding W.L.L. has the following subsidiaries at the reporting date:				
Global Sourcing and Supply East Holding W.L.L.	**100%**	100%	Kingdom of Bahrain	Holding company for a group of commercial, industrial or service companies.
Global Sourcing and Supply South Holding W.L.L.	**100%**	100%	Kingdom of Bahrain	Holding company for a group of commercial, industrial or service companies.
Global Sourcing and Supply North Holding W.L.L.	**100%**	100%	Kingdom of Bahrain	Holding company for a group of commercial, industrial or service companies.
Global Sourcing and Supply West Holding W.L.L.	**100%**	100%	Kingdom of Bahrain	Holding company for a group of commercial, industrial or service companies.
Global Sourcing and Supply East Holding W.L.L. has the following subsidiaries at the reporting date:				
Global Sourcing and Supply Services Co. Limited	**100%**	100%	Republic of Sudan	Provisioning of catering and housekeeping services.
Global Sourcing and Supply Services Co. Limited (a)	**100%**	100%	Republic of South Sudan	Provisioning of catering and housekeeping services.
Global Sourcing and Supply Kenya Limited	**100%**	100%	Republic of Kenya	Provision of catering and beverage services.
Global Sourcing and Supply South Holding W.L.L. has the following subsidiary at the reporting date:				
GSS Gabon SA (b)	**100%**	100%	Gabonese Republic	Under liquidation.
Global Sourcing and Supply North Holding W.L.L. has the following subsidiary at the reporting date:				
GSS Mali SA	**100%**	100%	Republic of Mali	Dormant entity.

(a) Represents effective ownership interest.

(b) The Board of Directors of GSS International Holding W.L.L. decided to cease the operations and placed GSS Gabon SA under voluntarily liquidation effective 1 October 2017 and the liquidation process is not completed at the date of issue of the consolidated financial statements.

The Group's joint ventures are as follows

Name of joint ventures	Ownership interest 2020	2019	Country of incorporation	Principal activities
B & B Logistics W.L.L. (c)	**-**	50%	Kingdom of Bahrain	Constructing and operating warehouses.
UQLC Facility Management Company Limited	**50%**	50%	United Arab Emirates	Provision of facility management, business consultancy, management consultancy overseas and to act as a holding company.

(c) During the period, the Group purchased the Bahrain Logistics Zone Warehouse from BANZ Group B.S.C. with carrying value of BD 4,725,159 and its related loan and retentions payable of BD 2,319,618 and BD 204,524, respectively, in exchange for its 50% shareholding on its investment in B & B Logistics W.L.L. with carrying value of BD 1,305,765 at the time of sale with the remaining balance of BD 895,252 payable in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

2 IMPACT OF CORONAVIRUS (COVID-19)

During the year, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. Authorities have taken various measures to contain the spread and announced various support measures to counter possible adverse implications. The Group has recognised as Government assistance of BD 1,167,465 related to the assistance provided by the Government of the Kingdom of Bahrain during the year ended 31 December 2020. The Group has been closely monitoring the latest developments in the current evolving situation. Although these developments caused disruptions in the Group's operations as of 31 December 2020, the scale and duration of these developments remain uncertain at this stage. The Group has considered the potential impacts of the current economic volatility in determining the reported amounts of the Group's financial and non–financial assets and liabilities as at 31 December 2020. However, market remains volatile and the recorded amounts remain sensitive to market fluctuations, the extent of which is presently undeterminable.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost basis, except for investments and investment property that have been measured at fair value.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB), 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.

Presentational and functional currency

The consolidated financial statements have been prepared in Bahraini Dinars (BD), being the presentational currency of Group and functional currency of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the BMMI B.S.C. and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non- controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group losses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the following IASB's new and amended standards and interpretations which are effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Group recongised concession of rent on operating leases as income in the interim consolidated statement of income.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work-in-progress are not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings on freehold land	5 to 40 years
Buildings on leasehold land	15 to 20 years
Plant and equipment	2 to 10 years
Motor vehicles	5 years

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related items of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as an expense as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value-in-use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Leases - Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of- use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

Buildings	2 to 11 years
Motor vehicles	2 years
Land	2 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases - Group as a lessee (continued)
ii) Lease liabilities (continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its certain short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Leases - Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is recognised on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories
Inventories are valued at the lower of cost and net realisable value. Costs include those expenses incurred in bringing each product to its present location and condition and is determined on a first-in, first-out basis with the exception of goods for sale - retail, the cost for which is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash- generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by earnings multiples quoted share prices or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Investment properties
Properties held for either rental income or capital appreciation or both purposes are classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the consolidated statement of income in the year in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment properties are derecognised when either they are disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied properties becomes investment properties, the Group accounts for such properties in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of results of joint ventures is shown on the face of the consolidated statement of income outside operating profit and represents results after tax and non-controlling interests in the subsidiaries of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)

The financial statements of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'share of results of joint ventures' in the consolidated statement of income.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

An asset is current when it is:
- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and bank balances

Cash and bank balances included in the consolidated statement of financial position comprise of cash in hand and bank balances, which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Financial instruments - recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient which are measured at the transaction price determined under IFRS 15, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include investments, a portion of trade and other receivables and cash and bank balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)
Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses upon derecognition (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of income when the asset is derecognised, modified or impaired.

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

Investments in equity instruments are classified as FVTPL, unless the Group designates an investment that is not held-for-trading as fair value through other comprehensive income (FVOCI) on initial recognition.

Debt instruments that do not meet the amortised cost criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at fair value through profit or loss. A debt instrument may be designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising gains or losses on them on different basis. The Group designated its debt instruments as FVTPL.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instrument - recognition and measurement (continued)
Financial assets (continued) Financial assets measured at fair value (continued)
Financial assets classified as fair value through profit or loss (FVTPL) (continued)

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as FVTPL on initial recognition is not allowed.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income.

Interest income on debt instruments designated as FVTPL is included in the consolidated statement of income.

Dividend income on investments in equity instruments measured at FVTPL is recognised in the consolidated statement of income when the Group's right to receive the dividends is established.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group elected (on an instrument-by-instrument basis) to designate its investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held-for-trading.

A financial asset is held-for-trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

The Group has designated most of its investments in equity instruments at FVOCI on initial application of IFRS 9, as the Board of Directors believes that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value immediately in the consolidated statement of income.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in the consolidated statement of comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss cannot be reclassified to the consolidated statement of income on disposal of the investments.

Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass- through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset measured at amortised cost or at fair value through profit or loss, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of income.

On derecognition of a financial asset that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the consolidated statement of income, but is reclassified to retained earnings.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all non-listed debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, contract assets and lease rental receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)
Financial assets (continued)
Impairment of financial assets (continued)

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities
Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are initially classified as financial liabilities at amortised cost and measured at fair value net of transaction cost. The Group's financial liabilities include loans and borrowings, retentions payable, a portion of trade and other payables and bank overdrafts.

Subsequent measurement

Financial liabilities within the scope of IFRS 9 are subsequently measured at amortised cost using the EIR.

Financial liabilities at amortised cost
Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process. All borrowing costs are expensed in the period they occur.

Trade and other payables

Liabilities for trade and other payables are subsequently measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Amortised cost of financial instruments

The EIR is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value measurement

The Group measures financial instruments, such as, investments and non-financial assets such as investment property, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management, with discussion with the Investment Committee, determines the policies and procedures for both recurring fair value measurement, such as investment property and unquoted investments, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as investment properties and investments, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually after discussion with the Company's Board of Directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Group makes contributions to relevant government schemes for its employees in each jurisdiction, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group also provides for end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employee's final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

Revenue from contracts with customers

The Group is in the business of wholesale and retail of food, beverages and other consumable items and also provides logistics and shipping services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration and consideration payable to the customer (if any).

Room revenue

Room revenue from hotel operations represents total amounts charged to customers and guests during the year including service charges net of the portion applicable to employees as and where applicable, plus unbilled guests ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances. These services are sold either separately or bundled together with the sale of food and beverages to a customer. The Group concluded that room revenue from hotel operations will continue to be recognised over time, commensurate with the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the food and beverages will continue to be recognised at a point in time, upon delivery of the food and beverages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Rendering of services

Revenue from rendering of services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Variable consideration

Certain contracts for the sale of goods provide customers with right of return, volume rebates, display (gandola) and listing fees. Rights of return, volume rebates, display (gandola) and listing fees give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

Rights of return

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method.

The consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements of constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability and an asset for the right to recover products from a customer within trade and other payables and inventories, respectively.

Volume rebates

The Group provides retrospective volume rebates to its customers on all products purchased by the customer once the quantity of products purchased during the year exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Variable consideration (continued)
Volume rebates (continued)

Retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the ‘most likely amount method’ for contracts with a single volume threshold and the ‘expected value method’ for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration. The Group recognised “contract liabilities” for the expected future rebates and disclosed under trade and other payables.

Display (gandola) and listing fees give rise to variable consideration which are estimated by using ‘most likely amount method’ for contracts. The selected method that best predicts the amount of variable consideration. The Group then applies the requirements on constraining estimates of variable consideration. The Group recognised “Contract liabilities” for expected future display fees and disclosed under trade and other payables.

Taxation

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign subsidiaries is provided in accordance with the fiscal regulations applicable in the respective country.

Income tax in the consolidated statement of income for the year comprises current tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in consolidated statement of comprehensive income is recognised in consolidated statement of comprehensive income and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

Cash dividend to shareholders of the Company

The Company recognises a liability to make cash distributions to shareholders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Bahrain Commercial Companies Law, a distribution is authorised when it is approved by the shareholders in their General Meeting. A corresponding amount is recognised directly in equity.

Foreign currency

The Group's consolidated financial statements are presented in Bahraini Dinars, which is the functional and presentational currency of the Group. That is the currency of the primary economic environment in which the Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)
Transactions and balances (continued)

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 (i.e., translation differences on items whose fair value gain or loss is recognised in the consolidated statement of comprehensive income or the consolidated statement of income is also recognised in the consolidated statement of comprehensive income or the consolidated statement of income, respectively).

Group companies

Upon consolidation, the assets and liabilities of foreign operations are translated into Bahraini Dinars (BD) at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in the consolidated statement of comprehensive income. On disposal of a foreign operation, the component of consolidated statement of changes in equity relating to that particular foreign operation is recognised in the consolidated statement of income.

Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to the statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, the Board of Directors has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern

The Company's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast a significant doubt about the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of revenue from room services and shipping services

The Group concluded that revenue from room revenue is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group which demonstrates that Group's performance obligation completes as and when customer simultaneously receives and consumes the benefits.

Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of good include a right of return, volume rebates and display fees that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Determining method to estimate variable consideration and assessing the constraint (continued)

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of equipment with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Classification of investments

Financial assets are classified as "Fair Value through Profit or Loss", "Amortised Cost" or "Fair Value through Other Comprehensive Income" on the basis of the entity's business model for managing the assets and the contractual cash flow characteristics of the financial assets. However, the entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The management determined the classification of investment in initial recognition based on the nature and risk characteristic.

Classification of properties

Properties which are purchased with the intention to earn rental income or capital appreciation or both are classified as investment properties. All other properties are classified as property, plant and equipment.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Determining the lease term of contracts with renewal and termination options (continued)

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of buildings land and vehicles plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. The renewal periods for leases of buildings land and vehicles with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of property, plant and equipment and right-of-use assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's or cash generating unit's (CGU) recoverable amount. An asset's or CGU's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset or CGU, unless the asset or CGU does not generate cash inflows that are largely independent of those from other assets or group of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)
Impairment of property, plant and equipment and right-of-use assets (continued)

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the assets or CGU. The Board of Directors do not believe there is any impairment in the value of property, plant and equipment and right-of-use assets as at 31 December 2020 and as at 31 December 2019.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of investments in joint ventures

The management determines whether it is necessary to recognise an impairment loss on the Group's investments in its joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in a joint venture and its carrying value and recognises the amount in the consolidated statement of income. The Board of Directors reassessed the impairment and believe that there is no impairment of investments in joint ventures as at 31 December 2020 and 31 December 2019.

Fair value of investment property

Investment property comprises of building (principally commercial offices) which is not occupied substantially for use by, or in the operations of, the Group, but are held primarily to earn rental income and capital appreciation. The fair value of the investment property has been determined by the Investment Committee based on the valuation performed by an independent valuer. The valuation undertaken is based on open market value, supported by market evidence in which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller at the date of valuation with appropriate adjustments for liquidity and other discount factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Valuation of unquoted equity investments

Management uses its best judgement in determining fair values of the unquoted investments using indicative bids provided by the fund administrators, market multiples, adjusted net assets value or other appropriate valuation techniques. Management uses its best estimates, however, the actual amount realised in a future transaction may differ from the current estimate of fair value given the inherent uncertainty surrounding the valuation of unquoted investments.

Provision for slow moving and obsolete inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventories (excluding goods-in-transit) were BD 13,431,546 (2019: BD 11,527,776) with a provision for slow moving and obsolete inventories of BD 1,132,561 (2019: BD 284,431). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer types).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the consumer sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)
Provision for expected credit losses of trade receivables (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivables were BD 11,908,073 (2019: BD 14,439,927), with an allowance for expected credit losses of BD 2,261,072 (2019: BD 2,255,383). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Estimating variable consideration for returns and volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

5 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IFRS 3: Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

5 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 37: Onerous Contracts - Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendment to IFRS 9 Financial Instruments: Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

5 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendment to IFRS 9 Financial Instruments: Fees in the ‘10 per cent’ test for derecognition of financial liabilities (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Several other amendments resulting to standard and interpretations would not likely to have an material impact on the accounting policies, consolidated financial position or consolidated financial performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land BD	Buildings BD	Plant and equipment BD	Motor vehicles BD	Capital work-in-progress BD	Total BD
Cost:						
At 1 January 2020	7,015,104	47,263,988	16,184,142	2,112,846	265,417	72,841,497
Additions	-	5,491	117,195	49,473	1,187,842	1,360,001
Acquisition (note 1)	-	4,215,839	509,320	-	-	4,725,159
Transfers	-	75,582	554,136	119,869	(749,587)	-
Disposals	-	-	(6,490)	-	-	(6,490)
Exchange adjustments	-	(4,928)	(26,953)	(7,038)	-	(38,919)
At 31 December 2020	7,015,104	51,555,972	17,331,350	2,275,150	703,672	78,881,248
Accumulated depreciation:						
At 1 January 2020	-	9,962,508	12,462,739	1,877,665	-	24,302,912
Depreciation charge for the year	-	1,341,883	1,986,226	97,883	-	3,425,992
Relating to disposals	-	-	(1,928)	-	-	(1,928)
Exchange adjustments	-	(1,239)	(5,186)	(1,861)	-	(8,286)
At 31 December 2020	-	11,303,152	14,441,851	1,973,687	-	27,718,690
Net carrying values: **At 31 December 2020**	**7,015,104**	**40,252,820**	**2,889,499**	**301,463**	**703,672**	**51,162,558**

	Freehold land BD	Buildings BD	Plant and equipment BD	Motor vehicles BD	Capital work-in-progress BD	Total BD
Cost:						
At 1 January 2019	7,015,104	47,006,813	15,128,057	2,131,765	497,550	71,779,289
Additions	-	28,835	334,447	29,821	868,724	1,261,827
Transfers	-	226,679	860,216	13,962	(1,100,857)	-
Disposals	-	-	(95,235)	(17,347)	-	(112,582)
Exchange adjustments	-	1,661	(877)	(4,262)	-	(3,478)
Relating to disposal of a subsidiary	-	-	(42,466)	(41,093)	-	(83,559)
At 31 December 2019	7,015,104	47,263,988	16,184,142	2,112,846	265,417	72,841,497
Accumulated depreciation: At 1 January 2019	-	8,831,684	10,607,972	1,802,424	-	21,242,080
Depreciation charge for the year	-	1,130,661	1,944,495	105,672	-	3,180,828
Relating to disposals	-	-	(19,222)	(7,534)	-	(26,756)
Exchange adjustments	-	163	(28,933)	(2,042)	-	(30,812)
Relating to disposal of a subsidiary	-	-	(41,573)	(20,855)	-	(62,428)
At 31 December 2019	-	9,962,508	12,462,739	1,877,665	-	24,302,912
Net carrying values: **At 31 December 2019**	**7,015,104**	**37,301,480**	**3,721,403**	**235,181**	**265,417**	**48,538,585**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

6 PROPERTY, PLANT AND EQUIPMENT (continued)

The management carried out an assessment of impairment in the carrying value of the hotel owned by the Group and included above as at 31 December 2020 which indicated that no impairment loss is required to be recognised as at 31 December 2020 and as at 31 December 2019. The carrying value of the hotel as at 31 December 2020 is BD 34,895,937 (2019: BD 36,773,498).

Certain of the Group's property, plant and equipment with a carrying value of BD 34,895,937 (2019: BD 36,773,498) are mortgaged as a security against loans and borrowings, refer to note 19.

The depreciation charge has been allocated in the consolidated statement of income as follows:

	2020 BD	2019 BD
Costs of revenue	-	2,623
Selling and distribution expenses	357,513	250,311
General and administrative expenses	3,068,479	2,927,894
	3,425,992	3,180,828

7 RIGHT-OF-USE ASSETS

	Buildings BD	Motor vehicles BD	Land BD	Total BD
At 1 January 2020	7,248,997	510,598	19,002	7,778,597
Remeasurement of right-of-use assets	-	-	288,233	288,233
New leases executed	-	-	496,097	496,097
Termination of leases	(41,904)	-	-	(41,904)
Depreciation for the year	(1,844,623)	(278,508)	(15,201)	(2,138,332)
At 31 December 2020	**5,362,470**	**232,090**	**788,131**	**6,382,691**

The depreciation charge has been included in general and administrative expenses.

	Buildings BD	Motor vehicles BD	Land BD	Total BD
At 1 January 2019	5,183,468	789,106	34,203	6,006,777
Remeasurement of right-of-use assets	1,128,575	-	-	1,128,575
New leases executed	2,337,240	-	-	2,337,240
Depreciation for the year	(1,400,286)	(278,508)	(15,201)	(1,693,995)
At 31 December 2019	7,248,997	510,598	19,002	7,778,597

The depreciation charge has been included in general and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

8 INVESTMENT PROPERTY

The Group's investment property consists of a building on freehold land (principally commercial offices) located in the Kingdom of Bahrain and held for capital appreciation and rental purposes. This investment property has been carried at fair value as at 31 December 2020 and as at 31 December 2019. There is no change in fair value of investment property during the years ended 31 December 2019 and 31 December 2020.

The fair value of the investment property has been determined by the Investment Committee based on the valuations performed by an accredited independent valuer. The valuer is an industry specialist in valuing these types of properties and has recent experience in the location and category of the property being valued. The valuation undertaken is based on open market value, supported by market evidence in which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller at the date of valuation with appropriate adjustments for liquidity and other discount factors.

	2020 BD	2019 BD
Rental income derived from the investment property	613,863	595,488

The Group has no restrictions on the realisability of its investment property and no contractual obligations to either purchase, construct or develop investment property.

Fair value hierarchy disclosures for investment property have been provided in note 11.

9 INVESTMENTS IN JOINT VENTURES

The movements in the carrying values of investments in joint ventures, are as follows:

	2020 BD	2019 BD
At 1 January	1,569,433	1,653,435
Share of results for the year	(115,133)	(84,002)
Disposal during the year (note 1)	(1,305,765)	-
At 31 December	148,535	1,569,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

9 INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates summarised unaudited financial information of the Group's investments in joint ventures:

Joint ventures' summarised statements of financial position:	2020 BD	2019 BD
Current assets; including cash and cash equivalents of BD 49,495 (2019: BD 95,101)	94,913	568,319
Non-current assets	790,222	7,353,657
Current liabilities	(588,066)	(1,674,599)
Non-current liabilities	-	(3,108,511)
Equity	297,069	3,138,866
Proportion of the Group's ownership	50%	50%
Carrying value of investments in joint ventures as at 31 December	148,535	1,569,433

Summarised statements of comprehensive income:	2020 BD	2019 BD
Revenue	339,539	1,527,255
Costs of revenue	(210,298)	(1,085,169)
General and administrative expenses	(187,195)	(275,323)
Depreciation expenses	(140,652)	(145,138)
Selling and distribution expenses	-	
Other income	965	6,000
Finance cost	(32,625)	(195,629)
Loss for the year	(230,266)	(168,004)
Proportion of the Group's ownership	50%	50%
Group's share of results for the year	(115,133)	(84,002)

The joint ventures had no material contingent liabilities or capital commitments as at 31 December 2020 and 31 December 2019. The joint ventures cannot distribute its profits until they obtain the consent from both venture partners.

The share of results of the joint ventures are recognised based on the approved management accounts for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

10 INVESTMENTS

	2020 BD	2019 BD
Fair value through other comprehensive income (FVOCI) - quoted investments	**4,377,912**	5,878,288
Fair value through other comprehensive income (FVOCI) - unquoted investments	**2,362,001**	2,502,561
Fair value through profit or loss (FVTPL)	**193,386**	2,327,243
	6,933,299	10,708,092

Quoted investments

The fair values of the quoted investments are determined by reference to published price quotations in an active market.

Unquoted investments

The fair values of unquoted investments have been estimated using indicative bids provided by the fund administrators, market multiples, adjusted net assets value or other appropriate valuation techniques.

The movements in the carrying value of investments during the year are as follows:

	2020 BD	2019 BD
At 1 January	**10,708,092**	12,208,384
Purchase during the year	**460,778**	-
Disposed during the year	**(3,343,721)**	(2,306,335)
Changes in fair values on investments at FVOCI for the year	**(809,215)**	838,572
Net losses on investments at FVTPL	**(82,635)**	(32,529)
At 31 December	**6,933,299**	10,708,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

11 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value:

		Fair value measurement using			
	Date of valuation	Quoted prices in active markets Level 1 BD	Significant observable inputs Level 2 BD	Significant unobservable inputs Level 3 BD	Total BD
31 December 2020					
Assets measured at fair value:					
Investment property (note 8)					
- Land and building	**31 Dec 2020**	**-**	**-**	**9,457,725**	**9,457,725**
Investments (note 10)					
Fair value through other comprehensive income:					
- quoted investments	**31 Dec 2020**	**4,377,912**	**-**	**-**	**4,377,912**
- unquoted investments	**31 Dec 2020**	**-**	**-**	**2,362,001**	**2,362,001**
Fair value through profit or loss:					
- quoted investments	**31 Dec 2020**	**-**	**-**	**-**	**-**
- unquoted investments	**31 Dec 2020**	**-**	**-**	**193,386**	**193,386**
		4,377,912	**-**	**2,555,387**	**6,933,299**
		4,377,912	**-**	**12,013,112**	**16,391,024**

Liabilities measured at fair value:

There were no liabilities measured at fair value as of 31 December 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

11 FAIR VALUE HIERARCHY (continued)

	Date of valuation	FAIR VALUE MEASUREMENT USING Quoted prices in active markets Level 1 BD	Significant observable inputs Level 2 BD	Significant unobservable inputs Level 3 BD	Total BD
31 December 2019					
Assets measured at fair value:					
Investment property (note 8)					
- Land and building	31 Dec 2019	-	-	9,457,725	9,457,725
Investments (note 10)					
Fair value through other comprehensive income:					
- quoted investments	31 Dec 2019	5,878,288	-	-	5,878,288
- unquoted investments	31 Dec 2019	-	-	2,502,561	2,502,561
Fair value through profit or loss:					
- quoted investments	31 Dec 2019	1,863,590	-	-	1,863,590
- unquoted investments	31 Dec 2019	-	-	463,653	463,653
		7,741,878	-	2,966,214	10,708,092
		7,741,878	-	12,423,939	20,165,817

Liabilities measured at fair value:
There were no liabilities measured at fair value as of 31 December 2019.

During the years ended 31 December 2020 and 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

11 FAIR VALUE HIERARCHY (continued)

Reconciliation of fair value measurements of Level 3 assets

The Group has investment property and certain unquoted investments which are classified as level 3 within the fair value hierarchy. The movements in the fair value of level 3 financial and non-financial assets are as follows:

	Non-financial - Investment property BD	Financial assets - Unquoted Investments BD	Total BD
At 1 January 2020	**9,457,725**	**2,966,214**	**12,423,939**
Disposals during the year	**-**	**(209,278)**	**(209,278)**
Changes in fair values	**-**	**(201,549)**	**(201,549)**
At 31 December 2020	**9,457,725**	**2,555,387**	**12,013,112**

	Non-financial assets - investment property BD	Financial assets - unquoted investments BD	Total BD
At 1 January 2019	9,457,725	2,850,799	12,308,524
Disposals during the year	-	(29,079)	(29,079)
Changes in fair values	-	144,494	144,494
At 31 December 2019	9,457,725	2,966,214	12,423,939

12 INVENTORIES

	2020 BD	2019 BD
Goods held for sale	**10,633,366**	9,094,518
Goods held for sale - retail	**2,764,632**	2,393,008
Goods-in-transit	**1,284,819**	684,710
Right of return assets	**33,548**	40,250
	14,716,365	12,212,486
Provision for slow moving and obsolete inventories	**(1,132,561)**	(284,431)
	13,583,804	11,928,055

Movements in the provision for slow moving and obsolete inventories during the year, are as follows:

	2020 BD	2019 BD
At 1 January	**284,431**	597,728
Provided / (reversed) during the year, net	**1,041,562**	(246,013)
Written off during the year	**(193,432)**	(67,284)
At 31 December	**1,132,561**	284,431

13 TRADE AND OTHER RECEIVABLES

	2020 BD	2019 BD
Trade receivables [net of allowance for expected credit losses of BD 2,261,072 (2019: BD 2,255,383)]	**9,647,001**	12,184,544
Other receivables	**5,596,961**	7,347,277
Prepayments	**3,596,768**	2,289,019
Advances to suppliers	**2,267,279**	1,401,558
Due from related parties (note 29)	**355,923**	338,174
	21,463,932	23,560,572

Trade receivables include an amount of BD 6,383 (2019: BD 20,611) due from related parties (refer to note 29).

Trade receivables amounting to BD 501,301 (2019: BD 453,305) are secured against loans and borrowings, refer to note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

13 TRADE AND OTHER RECEIVABLES (continued)

Terms and conditions of the above financial assets are as follows:
- Trade receivables are non-interest bearing and are generally settled on 30 - 90 day terms.
- Other receivables are non-interest bearing and have terms ranging between one and six months.
- For terms and conditions relating to due from related parties, refer to note 29.

The movements in the allowance for expected credit loss in respect of trade receivables during the year, are as follows:

	2020 BD	2019 BD
At 1 January	**2,255,383**	2,363,690
Charge for the year	**206,000**	235,480
Reversal / written off during the year	**(200,311)**	(343,787)
At 31 December	**2,261,072**	2,255,383

The ageing analysis of trade receivables and allowance for expected credit losses as at 31 December, is as follows:

			Past due			
	Total BD	Current BD	Less than 30 days BD	30 to 90 days BD	91 to 120 days BD	More than 120 days BD
2020						
Gross trade receivables	**11,908,073**	**3,424,360**	**2,845,940**	**2,570,782**	**535,434**	**2,531,557**
Expected credit loss	**(2,261,072)**	**(61,089)**	**(53,161)**	**(85,954)**	**(99,673)**	**(1,961,195)**
Net trade receivables	**9,647,001**	**3,363,271**	**2,792,779**	**2,484,828**	**435,761**	**570,362**

			Past due			
	Total BD	Current BD	Less than 30 days BD	30 to 90 days BD	91 to 120 days BD	More than 120 days BD
2019						
Gross trade receivables	14,439,927	4,654,829	3,436,898	3,445,934	719,856	2,182,410
Expected credit loss	(2,255,383)	(35,281)	(31,871)	(85,954)	(14,054)	(2,088,223)
Net trade receivables	12,184,544	4,619,548	3,405,027	3,359,980	705,802	94,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

14 CASH AND CASH EQUIVALENTS

	2020 BD	2019 BD
Cash in hand	**134,265**	110,750
Cash at banks	**4,477,278**	4,704,027
	4,611,543	4,814,777
Bank overdrafts	**(3,387,540)**	(3,372,230)
Cash and cash equivalents	**1,224,003**	1,442,547

Bank balances earn interest at floating rates based on daily bank deposit rates. Bank overdrafts carry interest at commercial rates.

15 SHARE CAPITAL

	2020 BD	2019 BD
Authorised:		
200,000,000 (2019: 200,000,000) shares of 100 fils each	**20,000,000**	20,000,000
Issued, subscribed and fully paid-up:		
146,428,549 (2019: 146,428,549) shares of 100 fils each	**14,642,854**	14,642,854

16 TREASURY SHARES

Treasury shares represent the purchase by the Company of its own shares. The Group held 4,067,817 shares (2019: 4,067,817 shares) as at 31 December 2020.

	2020	2019
Number of treasury shares	**4,067,817**	4,067,817
Treasury shares as a percentage of total shares in issue	**2.8%**	2.8%
Cost of treasury shares (BD / share)	**0.351**	0.351
Market price of treasury shares (BD / share)	**0.752**	0.780
Market value of treasury shares (BD)	**3,058,998**	3,172,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

17 DIVIDENDS, OTHER APPROPRIATIONS AND DIRECTORS' REMUNERATION

The Board of Directors has proposed a total cash dividend of 25 fils per share (excluding treasury shares), totalling BD 3,559,018 (2019: 50 fils per share totalling BD 7,118,037) for the year ended 31 December 2020.

The Board of Directors has also proposed Directors' remuneration of BD 108,500 (2019: BD 193,500).

The Board of Directors has not proposed any transfer to charity reserve for the year ended 31 December 2020 (2019: BD 184,689)

The proposed appropriations and the Directors' remuneration are in accordance with the Company's articles of association and are subject to approval by the shareholders at the Annual General Meeting.

18 OTHER RESERVES

	Statutory reserve BD	Share premium BD	Investment revaluation reserve BD	Charity reserve BD	General reserve BD	Foreign currency translation reserve BD	Total BD
At 1 January 2020	7,321,427	1,012,860	1,230,836	-	7,000,000	(2,555,837)	14,009,286
Other comprehensive loss	-	-	(809,215)	-	-	(397,478)	(1,206,693)
Gain on disposals of investments carried at fair value through other comprehensive income	-	-	(350,070)	-	-	-	(350,070)
Transfer to charity reserve	-	-	-	184,865	-	-	184,865
Distribution to Alosra Charitable Foundation [refer note 18 (b)]	-	-	-	(184,865)	-	-	(184,865)
At 31 December 2020	**7,321,427**	**1,012,860**	**71,551**	**-**	**7,000,000**	**(2,953,315)**	**12,452,523**
At 1 January 2019	7,321,427	1,012,860	1,465,215	-	7,000,000	(3,121,457)	13,678,045
Other comprehensive loss	-	-	838,572	-	-	565,620	1,404,192
Gain on disposals of investments carried at fair value through other comprehensive income	-	-	(1,072,951)	-	-	-	(1,072,951)
Transfer to charity reserve	-	-	-	168,692	-	-	168,692
Distribution to Alosra Charitable Foundation [refer note 18 (b)]	-	-	-	(168,692)	-	-	(168,692)
At 31 December 2019	**7,321,427**	**1,012,860**	**1,230,836**	**-**	**7,000,000**	**(2,555,837)**	**14,009,286**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

18 OTHER RESERVES (continued)

a) Statutory reserve

As required by the Bahrain Commercial Companies Law and the Company's articles of association, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals 50% of the paid-up share capital. The shareholders have resolved to discontinue the transfer of profit to statutory reserve as the reserve equal to 50% of the paid-up share capital. The reserve cannot be distributed except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

b) Charity reserve

In accordance with the Company's articles of association and the recommendation of the Board of Directors, an amount not exceeding 2% of the profit attributable to the shareholders of BMMI B.S.C. for the year is transferred to the charity reserve.

In 2008, the Company established Alosra Charitable Foundation ('the Foundation') for this purpose. In 2008 and 2009, the Foundation was controlled by the Company and formed part of the Group's consolidated financial statements consisting of the reserve and cash at bank. In 2010, the Company relinquished control of the Foundation to an independent Board of Directors thus reducing the reserve and bank balances of the Group by the sum included in the Foundation's bank account. The charity reserve now represents amounts approved as appropriations by the Board of Directors and shareholders of the Company less cash transferred to the Foundation.

The Board of Directors has not proposed any transfer to charity reserve for the year ended 31 December 2020 (2019: BD 184,689).

c) Share premium

The share premium arose on the disposal of treasury shares in 2018 and is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

d) General reserve

In accordance with the Company's articles of association and the recommendation of the Board of Directors, specific amounts are transferred to the general reserve. No transfer was proposed for the current and prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

18 OTHER RESERVES (continued)

e) Investment revaluation reserve

This reserve relates to fair value changes of investments carried at fair value through other comprehensive income.

f) Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations.

19 LOANS AND BORROWINGS

	2020 BD	2019 BD
Term loan (a)	**16,066,173**	17,240,129
Term loan (b)	**2,164,977**	-
Short term loans (c)	**4,258,148**	3,968,365
	22,489,298	21,208,494
Non-current	**15,402,572**	14,875,992
Current	**7,086,726**	6,332,502
	22,489,298	21,208,494

(a) This represents term loan facility obtained by Banader Hotels Company B.S.C. of BD 25,000,000 from a commercial bank to finance the settlement of a Murabaha facility and construction of the hotel, hotel's pre-operating expenses until the soft opening of the hotel and repayment of retention to the contractors.

The loan carries interest rates varying from BIBOR or T-bills rate plus 2.2% to 2.45% (2019: BIBOR or T-bills rate plus 2.2% to 2.45%) and is repayable in 29 quarterly instalments ranging from BD 131,139 to BD 657,011 and final payment of BD 11,145,000 due on 31 March 2023. The loan is secured against the freehold land and building of the hotel bearing title deed number 146959 and assignment of Banader's receivables until the settlement of loan including the interest.

(b) This represents term loan assumed as a part of acquisition of warehouse (refer note 1). The loan carries interest rate at the Central Bank of Bahrain one-month deposit rate plus 3% (2019: nil) and is repayable in 60 monthly instalments of BD 38,660 with the final payment due on 23 August 2025. The loan is secured against insurance policy of warehouse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

19 LOANS AND BORROWINGS (continued)

(c) This represents credit facilities obtained from commercial banks in the Kingdom of Bahrain to finance procurement of goods for sale. The facilities carries interest at 3 months T-bills plus 1.75% (2019: BIBOR plus 1.75%) per annum with tenor up to 90 days.

20 LEASE LIABILITIES

The movements in the carrying value of lease liabilities (for land, buildings and motor vehicles) during the year, are as follows:

	2020 BD	2019 BD
At 1 January	**7,492,447**	6,006,777
Remeasurement of lease liabilities	**288,233**	1,128,575
New leases executed	**496,097**	2,337,240
Termination of leases	**(43,966)**	-
Accretion of interest	**364,237**	394,713
Payments	**(1,858,894)**	(2,374,858)
At 31 December	**6,738,154**	7,492,447

	2020 BD	2019 BD
Non-current	**5,274,324**	6,408,530
Current	**1,463,830**	1,083,917
	6,738,154	7,492,447

21 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision of employees' end of service benefits recognised in the consolidated statement of financial position, are as follows:

	2020 BD	2019 BD
At 1 January	**2,367,937**	2,112,205
Provided during the year (note 24)	**380,156**	413,287
Benefits paid during the year	**(250,634)**	(146,629)
Relating to disposal of a subsidiary	**-**	(10,926)
At 31 December	**2,497,459**	2,367,937
Advances paid to employees	**(372,261)**	(432,351)
Net provision as at 31 December	**2,125,198**	1,935,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

22 TRADE AND OTHER PAYABLES

	2020 BD	2019 BD
Trade payables	**7,353,274**	7,832,406
Other payables	**745,733**	1,363,969
Accrued expenses	**943,097**	1,471,051
Unclaimed dividends	**127,309**	900,142
Net Value Added Tax (VAT) payable	-	182,482
Contract and refund liability	**39,749**	48,554
	9,209,162	11,798,604

Trade payables included amounts of BD 108,893 (2019: BD 184,715) due to related parties as of 31 December 2020, refer to note 29.

Terms and conditions of the above financial liabilities are as follows:
- Trade payables are non-interest bearing and are normally settled on 60 day terms.
- Other payables are non-interest bearing and have terms ranging between one and three months.
- Unclaimed dividends are payable on demand.
- For terms and conditions relating to amounts due to related parties, refer to note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

AS AT 31 DECEMBER 2020

23 REVENUE

Set out below is the revenue from contracts with customers disaggregated by types of revenue, geographical markets and timing of revenue recognition.

	CONTRACT SERVICES AND SUPPLY		WHOLESALE OPERATIONS		RETAIL OPERATIONS		HOSPITALITY		INVESTMENT, SHIPPING AND OTHER ACTIVITIES		TOTAL	
	2020 BD	2019 BD	**2020 BD**	2019 BD	**2020 BD**	2019 BD	**2020 BD**	2019 BD	**2020 BD**	**2019 BD**	**2020 BD**	2019 BD
TYPES OF REVENUE												
SALES OF GOODS	**721,864**	374,778	**39,605,478**	47,733,631	**37,916,783**	36,368,894	**966,123**	2,550,981	**-**	**-**	**79,210,248**	87,028,284
ROOM SERVICES	**-**	-	**-**	-	**-**	-	**698,209**	1,988,842	**-**	**-**	**698,209**	1,988,842
SHIPPING SERVICES	**-**	-	**-**	-	**-**	-	**-**	-	**3,323,214**	**1,303,230**	**3,323,214**	1,303,230
CATERING AND OTHER SERVICES	**12,997,906**	13,561,187	**-**	-	**-**	-	**180,846**	452,238	**-**	**-**	**13,178,752**	14,013,425
Total revenue	**13,719,770**	13,935,965	**39,605,478**	47,733,631	**37,916,783**	36,368,894	**1,845,178**	4,992,061	**3,323,214**	**1,303,230**	**96,410,423**	104,333,781
Geographical markets												
Bahrain	**5,995,712**	6,799,131	**39,605,478**	47,733,631	**33,484,360**	33,144,935	**1,845,178**	4,992,061	**3,323,214**	**1,303,230**	**84,253,942**	93,972,988
GCC and other Arab countries	**-**	-	**-**	-	**4,432,423**	3,223,959	**-**	-	**-**	**-**	**4,432,423**	3,223,959
African countries	**7,724,058**	7,136,834	**-**	-	**-**	-	**-**	-	**-**	**-**	**7,724,058**	7,136,834
											-	
Total revenue	**13,719,770**	13,935,965	**39,605,478**	47,733,631	**37,916,783**	36,368,894	**1,845,178**	4,992,061	**3,323,214**	**1,303,230**	**96,410,423**	104,333,781
Timing of revenue recognition												
Products transferred at point in time	**721,864**	374,778	**39,605,478**	47,733,631	**37,916,783**	36,368,894	**966,123**	2,550,981	**-**	**-**	**79,210,248**	87,028,284
Product and services over time	**12,997,906**	13,561,187	**-**	-	**-**	-	**879,055**	2,441,080	**3,323,214**	**1,303,230**	**17,200,175**	17,305,497
Total revenue	**13,719,770**	13,935,965	**39,605,478**	47,733,631	**37,916,783**	36,368,894	**1,845,178**	4,992,061	**3,323,214**	**1,303,230**	**96,410,423**	104,333,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

24 PROFIT OF THE GROUP FOR THE YEAR

The profit of the Group for the year is stated after charging:

Staff costs	2020 BD	2019 BD
Short term benefits	**12,743,691**	11,592,685
Contributions to the Social Insurance Organisation, Bahrain (SIO) and General Organization for Social Insurance, Saudi Arabia (GOSI)	**637,999**	690,985
End of service benefits (note 21)	**380,156**	413,287
	13,761,846	12,696,957

The staff costs have been allocated in the consolidated statement of income, as follows:

	2020 BD	2019 BD
Costs of revenue	**1,386,203**	969,897
Selling and distribution expenses	**6,922,668**	7,433,958
General and administrative expenses	**5,452,975**	4,293,102
	13,761,846	12,696,957

Finance costs	2020 BD	2019 BD
Interest on term loan	**360,200**	1,042,808
Interest on short-term loans and bank overdrafts	**263,145**	390,916
Bank charges	**208,597**	188,374
Interest on lease liabilities	**364, 237**	394, 713
	1,196,179	2,016,811

During the year, modification gain amounting to BD 364,501 (2019: nil) has been netted with finance cost.

	2020 BD	2019 BD
Foreign exchange gains, net	**1,749,682**	418,125
Gain on disposal of property, plant and equipment	**-**	11,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

25 OTHER OPERATING INCOME

	2020 BD	2019 BD
Rental income	**839,978**	847,089
Government assistance	**1,167,465**	-
Display income and rebates	**1,022,090**	901,994
Logistics income	**241,520**	114,127
Miscellaneous income	**103,731**	721,703
	3,374,784	2,584,913

26 NET INVESTMENT INCOME

	2020 BD	2019 BD
Dividend income	**327,423**	545,795
Interest income on investments held at FVTPL	**73,779**	117,878
Interest income	**29,000**	59,314
	430,202	722,987

27 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2020 and 31 December 2019 are:

	2020 BD	2019 BD
Current income tax expense	**182,949**	84,532

The Group's tax charge arises in Republic of South Sudan, Republic of Sudan, Kingdom of Saudi Arabia and Republic of Kenya.

The Group's tax expense includes taxes accrued and paid on taxable profits or revenues of entities to the authorities in the respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits together with the details of effective tax rates as the operations of the Group are subject to various tax jurisdictions and regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of BMMI B.S.C. by the weighted average number of ordinary shares outstanding during the year, net of treasury shares.

The following reflects the profit and share information used in the basic earnings per share computations:

	2020 BD	2019 BD
Profit for the year attributable to the ordinary shareholders of BMMI B.S.C. (BD)	**4,028,086**	9,234,456
Weighted average number of shares, net of treasury shares	**142,360,732**	142,360,732
Basic and diluted earnings per share (fils)	**28**	65

Basic and diluted earnings per share are the same as the Company has not issued any instruments that would have a dilutive effect.

There have been no other transactions involving ordinary or potential ordinary shares between the reporting date and the date of approval of these consolidated financial statements, that would have a dilutive effect.

29 RELATED PARTY DISCLOSURES

Related parties represent the joint ventures, major shareholders, directors and key management personnel of the Group entities, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2020		2019	
	Revenue BD	**Expenses BD**	Revenue BD	Expenses BD
Other related parties	**61,428**	**1,478,536**	**75,854**	1,677,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

29 RELATED PARTY DISCLOSURES (continued)

Balances with related parties included in the consolidated statement of financial position, are as follows:

	AS OF 31 DECEMBER 2020		
	TRADE RECEIVABLES BD	**DUE FROM BD**	**TRADE AND OTHER PAYABLES BD**
Joint ventures	**-**	**355,923**	**-**
Other related parties	**6,999**	**-**	**108,893**
	6,999	**355,923**	**108,893**

	AS OF 31 DECEMBER 2019		
	TRADE RECEIVABLES BD	DUE FROM BD	Trade and other payables BD
Joint ventures	-	338,174	-
Other related parties	20,611	-	184,715
	20,611	338,174	184,715

Terms and conditions

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2020 and 31 December 2019, the Group has not recognised any allowance for expected credit losses relating to amounts owed by related parties as the credit risk associated with related parties is assessed to be low.

Compensation of key management personnel

Key management personnel are those persons having responsibility for planning, directing and controlling the activities of the Group. The key management personnel comprise members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer and their remuneration is as follows:

	2020 BD	2019 BD
Board of Directors' remuneration	**108,500**	**193,500**
Board of Directors' meetings attendance fees	**82,000**	**85,000**
Key management personnel		
Short-term benefits	**531,681**	**639,537**
Other long term benefits	**162,940**	**-**
Employees' end of service benefits	**39,072**	**41,400**
	733,693	**680,937**
	924,193	**959,437**

30 COMMITMENTS AND CONTINGENCIES

Contingencies

The Group had contingencies in the form of bank guarantees issued by its banks in the ordinary course of business amounting to BD 2,963,098 (2019: BD 2,864,579) as at 31 December 2020, from which it is anticipated that no material liabilities will arise.

Purchase commitments

Commitments relating to confirmed purchase orders, in the normal course of business, at the reporting date amounted to BD 886,933 (2019: BD 2,691,876).

Capital expenditure commitments

Estimated capital expenditure contracted for at the reporting date but not provided for is amounting to BD 179,000 (2019: nil) and expected to be settled within one year.

31 MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of subsidiary that has material non-controlling interests is provided below:

	Country of incorporation	2020	2019
Ownership interest held by non-controlling interests Banader Hotels Company B.S.C. ("Banader")	**Kingdom of Bahrain**	**46.09%**	46.09%

	2020 BD	2019 BD
Accumulated balances of material non-controlling interests	**291,321**	1,687,861
Loss allocated to material non-controlling interests	**(1,407,831)**	(1,569,555)

31 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

The summarised financial information before intercompany eliminations of the subsidiary is provided below.

	2020 BD	2019 BD
Summarised statement of financial position:		
Property, plant and equipment (non-current)	**34,895,937**	36,773,498
Right-of-use assets (non-current)	**63,055**	221,480
Inventories (current)	**46,182**	58,826
Trade and other receivables (current)	**501,301**	450,028
Bank balances and cash (current)	**84,350**	211,947
Employees' end of service benefits (non-current)	**(99,567)**	(98,514)
Amount due to a related party (non-current)	**(17,122,489)**	(14,833,615)
Lease liabilities (non-current)	**(2,099)**	(99,650)
Lease liabilities (current)	**(60,926)**	(127,504)
Loans and borrowings (non-current)	**(13,701,519)**	(14,875,992)
Loans and borrowings (current)	**(2,364,654)**	(2,364,137)
Trade and other payable (current)	**(426,324)**	(457,759)
Retentions payables (current)	**(1,174,121)**	(1,174,121)
Bank overdrafts (current)	**(7,057)**	(22,388)
Equity	**632,069**	3,662,099
Attributable to non-controlling interest	**291,321**	1,687,861

	2020 BD	2019 BD
Summarised statement of comprehensive income:		
Revenue	**1,143,768**	3,163,948
Costs of revenue	**(743,895)**	(1,359,727)
Other income	**164,963**	-
General and administrative expenses	**(2,543,338)**	(2,872,221)
Finance costs	**(529,473)**	(1,696,315)
Selling and distribution expenses	**(546,552)**	(641,098)
Loss for the year and total comprehensive loss	**(3,054,527)**	(3,405,413)
Attributable to non-controlling interests	**(1,407,831)**	(1,569,555)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

31 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

Summarised statement of cash flows information:	2020 BD	2019 BD
Net cash flows (used in) / from operating activities	(227,448)	288,965
Net cash flows used in investing activities	(16,680)	(28,834)
Net cash flows from / (used in) financing activities	131,862	(793,686)
Net decrease in cash and cash equivalents	(112,266)	(533,555)

32 OPERATING SEGMENTS

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Group is organised into five operating segments:

Retail operations - Retail sales of food, beverages and other consumer products.

Wholesales operations - Distribution of food, beverages and other consumer products.

Contract services and supply - Contract supply of food, beverages and other consumer products and related services.

Hospitality - This consist of the Group's hotel and restaurants business.

Investments, shipping and other activities - This consist of investment properties, investments, group's shipping services, bank balances, and certain payables that are managed at a Group level.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating results and is measured consistently with operating results in the consolidated financial statements.

Transfer prices between operating segments are approved by management, and are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

32 OPERATING SEGMENTS (continued)

Geographic information

	2020 BD	2019 BD
Revenue from external customers		
Kingdom of Bahrain	84,253,942	93,972,988
Other GCC and Arab countries	4,432,423	3,223,959
Other foreign countries - Africa	7,724,058	7,136,834
Total revenue	**96,410,423**	104,333,781

The revenue information above is based on the location of the customer.

The table below summarises the distribution of total assets and liabilities into geographical segments:

	Total assets		Total liabilities	
	2020 BD	2019 BD	2020 BD	2019 BD
Kingdom of Bahrain	103,678,017	107,092,107	42,283,367	44,498,944
Other GCC and Arab countries	1,141,330	2,035,764	887,879	119,582
Other foreign countries - Africa	8,924,740	9,227,965	2,311,177	2,420,608
Total	**113,744,087**	**118,355,836**	**45,482,423**	**47,039,134**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

32 OPERATING SEGMENTS (continued)

	CONTRACT SERVICES AND SUPPLY		WHOLESALE OPERATIONS		RETAIL OPERATIONS		HOSPITALITY		INVESTMENT, SHIPPING AND OTHER ACTIVITIES		ADJUSTMENTS AND ELIMINATIONS		TOTAL	
	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD	2020 BD	2019 BD
REVENUE - EXTERNAL CUSTOMERS	13,719,770	13,935,965	39,605,478	47,733,631	37,916,783	36,368,894	1,845,178	4,992,061	3,323,214	1,303,230	-	-	96,410,423	104,333,781
REVENUE - INTER-SEGMENTS	-	-	982,878	693,134	669,557	350,205	9,784	51,023	4,789,299	7,963,488	(6,451,518)	(9,057,850)	-	-
TOTAL REVENUE	13,719,770	13,935,965	40,588,356	48,426,765	38,586,340	36,719,099	1,854,962	5,043,084	8,112,513	9,266,718	(6,451,518)	(9,057,850)	96,410,423	104,333,781
COSTS OF REVENUE (EXCLUDING DEPRECIATION)	(12,363,389)	(10,165,029)	(34,356,289)	(37,897,947)	(27,063,534)	(23,892,969)	(997,359)	(2,060,176)	(7,141,109)	(8,406,969)	6,447,446	9,051,335	(75,474,234)	(73,371,755)
GROSS PROFIT	1,356,381	3,770,936	6,232,067	10,528,818	11,522,806	12,826,130	857,603	2,982,908	971,404	859,749	(4,072)	(6,515)	20,936,189	30,962,026
SHARE OF RESULTS OF JOINT VENTURES	(134,133)	(48,464)	-	-	-	-	-	-	19,000	(35,538)	-	-	(115,133)	(84,002)
LOSSES ON INVESTMENTS CARRIED AT FVTPL	-	-	-	-	-	-	-	-	(82,635)	(32,529)	-	-	(82,635)	(32,529)
INVESTMENT INCOME	-	-	-	-	-	-	-	-	430,202	722,987	-	-	430,202	722,987
OTHER OPERATING INCOME	190,520	390,235	677,824	37,727	1,579,890	932,816	281,100	989	1,771,537	3,117,898	(1,126,087)	(1,894,752)	3,374,784	2,584,913
EXPENSES EXCLUDING DEPRECIATION, FINANCE COSTS AND INCOME TAX EXPENSE	(565,003)	(2,807,704)	(6,187,773)	(6,154,070)	(5,652,326)	(5,239,749)	(1,545,227)	(2,524,383)	(2,061,443)	(4,020,740)	1,019,159	1,247,763	(14,992,613)	(19,498,883)
DEPRECIATION	(626,099)	(556,181)	(419,284)	(235,718)	(1,408,428)	(1,356,808)	(2,361,934)	(2,200,277)	(748,579)	(525,839)	-	-	(5,564,324)	(4,874,823)
FINANCE COSTS	-	(94,073)	-	(4,196)	(22,466)	(314,132)	(546,036)	(1,739,838)	(738,677)	(518,076)	111,000	653,504	(1,196,179)	(2,016,811)
INCOME TAX EXPENSE	(176,276)	(84,532)	-	-	(6,673)	-	-	-	-	-	-	-	(182,949)	(84,532)
(LOSS) PROFIT FOR THE YEAR	45,390	570,217	302,834	4,172,561	6,012,803	6,848,257	(3,314,494)	(3,480,601)	(439,191)	(432,088)	-	-	2,607,342	7,678,346
OF WHICH LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	-	-	-	-	-	1,420,744	1,556,110	-	-	-	-	1,420,744	1,556,110
(LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF BMMI B.S.C.	45,390	570,217	302,834	4,172,561	6,012,803	6,848,257	(1,893,750)	(1,924,491)	(439,191)	(432,088)	-	-	4,028,086	9,234,456
CAPITAL EXPENDITURE	150,587	316,117	-	-	667,404	201,793	23,309	118,029	518,701	625,888	-	-	1,360,001	1,261,827
OPERATING ASSETS	10,389,390	11,002,171	16,926,607	19,373,489	6,737,676	11,855,585	34,352,339	38,948,777	68,353,282	63,288,291	(23,015,207)	(26,112,477)	113,744,087	118,355,836
OPERATING LIABILITIES	4,497,833	4,822,755	4,386,303	6,700,946	4,612,882	7,219,080	17,986,856	34,202,486	15,035,217	12,231,532	(1,036,668)	(18,137,665)	45,482,423	47,039,134

Inter-segment transactions are eliminated upon consolidation and reflected in the “adjustments and elimination” column.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of loans and borrowings, lease liabilities, retentions payable, a portion of trade and other payables and bank overdrafts. The main purpose of these financial liabilities is to finance the Group's day-to-day operations and capital expenditure. The Group has a portion of trade and other receivables and cash and bank balances that arise directly from its operations. The Group also holds investments.

The Group is exposed to market, credit, liquidity and operational risks.
The Group's senior management oversees the management of these risks. The Group's senior management is supported by an Investment Committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Investment Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group's policies and Group's risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, equity price risk and foreign currency risk.
The sensitivity analysis have been prepared on the basis that the proportion of financial instruments in foreign currencies are all constant at 31 December 2020 and 31 December 2019.
The analysis excludes the impact of movements in market variables on the carrying value of end of service benefits, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

(a) The consolidated statement of financial position sensitivity relates to investments, retentions payable, cash and bank balances, a portion of trade and other receivables, a portion of trade and other payables, loans and borrowings, lease liabilities and bank overdrafts.

(b) The sensitivity of the consolidated statement of income is the effect of the assumed changes in market risk. This is based on the financial assets and financial liabilities held at 31 December 2020 and 31 December 2019.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The Group is exposed to interest rate risk on its variable interest bearing assets and liabilities (loans and borrowings and bank overdrafts).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

The sensitivity, to a reasonably possible change in interest rates with all other variables held constant, on the Group's profit is as follows:

	2020		2019	
Increase (decrease) in basis points	**+50**	**-25**	+50	-25
(Decrease) increase in profit [in BD]	**(129,384)**	**64,692**	(122,904)	61,452

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management and Investment Committee on a regular basis. The Group's Investment Committee reviews and approves all equity investment decisions.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity value, with all other variables held constant.

		2020		2019	
Investments at FVOCI	**Change in equity's fair value**	**Effect on equity BD**	**Effect on profit BD**	Effect on equity BD	Effect on profit BD
- Quoted investments	**+10%**	**437,791**	**-**	587,829	-
	-10%	**(437,791)**	**-**	(587,829)	-
- Unquoted investments	**+10%**	**236,200**	**-**	250,256	-
	-10%	**(236,200)**	**-**	(250,256)	-
Investments at FVTPL					
- Quoted investments	**+10%**	**-**	**-**	-	186,359
	-10%	**-**	**-**	-	(186,359)
- Unquoted investments	**+10%**	**-**	**19,339**	-	46,365
	-10%	**-**	**(19,339)**	-	(46,365)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Concentration of investment portfolio

Concentration of investment portfolio arises when a number of investments are made in entities engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would be affected by changes in economic, political or other conditions. The Group manages this risk through diversification of investments in terms of investment concentration. The concentration of the Group's investment portfolio as of 31 December, is as follows:

	2020 BD	2019 BD
Equities	**4,377,912**	6,640,371
Private equity entities	**1,972,775**	2,130,563
Mutual funds	**582,612**	835,651
Debt instruments	**-**	1,101,507
	6,933,299	10,708,092

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's presentational currency) and the Group's net investments in foreign subsidiaries.

As the Bahraini Dinar is pegged to the US Dollar, balances in the US Dollars and currencies pegged with the US Dollar are not considered to represent a significant foreign currency risk.

The Group's exposure to foreign currency financial assets and liabilities, are as follows:

	2020		2019	
	Assets BD equivalent	Liabilities BD equivalent	Assets BD equivalent	Liabilities BD equivalent
Euro	**38,162**	**202,530**	78,730	102,945
Pound Sterling (GBP)	**52,648**	**76,333**	183,472	139,618
Other currencies	**8,928,730**	**2,387,131**	8,634,653	2,420,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

Market risk (continued)

The table below indicates the Group's sensitivity to foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a 5% upward movement of the Bahraini Dinar currency rate against the Euro, the Pound Sterling (GBP) and other currencies, with all other variables held constant, on the consolidated statement of income (due to the fair value of currency sensitive monetary assets and liabilities and the Group's consolidated statement of comprehensive income due to changes in the net investment in foreign subsidiaries).

	2020		2019	
	Effect on profit BD	Effect on equity BD	Effect on profit BD	Effect on equity BD
Change in foreign exchange rates	**+5%**	**+5%**	+5%	+5%
Euro	**8,218**	**-**	1,211	-
Pound Sterling (GBP)	**1,184**	**-**	(2,193)	-
Other currencies	**-**	**327,080**	-	310,702

A similar decrease in foreign exchange rates would have an equal and opposite impact on profit and equity as shown above.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including bank balances, investments in debt instruments and other financial instruments.

Trade receivables and amounts due from related parties

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to expected credit losses is not significant. The management does not believe that credit risk associated with the amounts due from related parties is assessed to be low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Bank balances and investments in debt instruments

With respect to credit risk from the financial assets of the Group, which comprise bank balances and investments in debt instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group limits credit risk by dealing only with reputable banks and investing in sovereign government bonds.

Gross maximum exposure

The table below shows the gross maximum exposure to credit risk for the Group's consolidated statement of financial position headings which are considered to be performing:

	2020 BD	2019 BD
Bank balances	**4,477,278**	4,704,027
Trade and other receivables	**15,599,885**	19,869,995
Investments (debt instruments)	**-**	1,101,507
	20,077,163	25,675,529

Credit risk concentrations

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group sells its products to a large number of wholesale and retail customers. Its five largest customers account for 23% (2019: 17%) of the outstanding trade receivables at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The distribution of the Group's financial assets are as follows:

31 December 2020	**Investments in debt instruments BD**	**Trade and other receivables BD**	**Bank balances BD**
Geographic regions			
Bahrain	**-**	**11,676,009**	**3,310,847**
Other GCC and Arab countries	**-**	**154,465**	**175,272**
African countries	**-**	**3,769,411**	**991,159**
	-	**15,599,885**	**4,477,278**

31 December 2019	Investments in debt instruments BD	Trade and other receivables BD	Bank balances BD
Geographic regions			
Bahrain	798,706	15,336,400	4,147,668
Other GCC and Arab countries	302,801	90,045	190,482
African countries	-	4,578,240	365,877
	1,101,507	20,004,685	4,704,027

31 December 2020	**Investments in debt instruments BD**	**Trade and other receivables BD**	**Bank balances BD**
Industry sectors			
Banking	**-**	**-**	**4,477,278**
Trading	**-**	**15,599,885**	**-**
Total	**-**	**15,599,885**	**4,477,278**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk concentrations (continued)

31 December 2019	Investments in debt instruments BD	Trade and other receivables BD	Bank balances BD
Industry sectors			
Banking	-	-	4,704,027
Government	1,101,507	-	-
Trading	-	20,004,685	-
Total	1,101,507	20,004,685	4,704,027

Liquidity risk

The Group limits its liquidity risk by ensuring adequate bank facilities are available at all times. The Group's terms of sales require amounts to be paid within 30-90 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase. The table below summarises the maturity profile of the Group's financial liabilities as at 31 December, based on contractual undiscounted payment and current market interest rates.

31 December 2020	**On demand BD**	**Less than 3 months BD**	**3 to 12 months BD**	**More than 5 years BD**	**Total BD**
Loans and borrowings	**-**	**4,965,293**	**2,200,987**	**18,721,923**	**25,888,203**
Lease liabilities	**-**	**455,638**	**1,315,053**	**6,975,332**	**8,746,023**
Trade and other payables	**127,309**	**8,099,007**	**-**	**-**	**8,226,316**
Bank overdrafts	**3,387,540**	**-**	**-**	**-**	**3,387,540**
Retentions payable	**-**	**-**	**1,378,645**	**-**	**1,378,645**
	3,514,849	**13,519,938**	**4,894,685**	**25,697,255**	**47,626,727**

31 December 2019	On demand BD	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	Total BD
Loans and borrowings	-	4,559,399	1,839,594	18,081,861	24,480,854
Lease liabilities	-	472,680	1,437,286	8,405,012	10,314,978
Trade and other payables	900,142	9,331,065	-	-	10,231,207
Bank overdrafts	3,372,230	-	-	-	3,372,230
Retentions payable	-	-	1,174,121	-	1,174,121
	4,272,372	14,363,144	4,451,001	26,486,873	49,573,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Changes in liabilities arising from financing activities

	As at 1 January 2020 BD	**Cash flows Receipts BD**	**Cash flows Payments BD**	**Others BD**	**As at 31 December 2020 BD**
Loans and borrowings	**21,208,494**	**10,083,468**	**(11,122,282)**	**2,319,618**	**22,489,298**
Lease liabilities	**7,492,447**	**-**	**(1,494,657)**	**740,364**	**6,738,154**
Retentions payable	**1,174,121**	**-**	**-**	**204,524**	**1,378,645**
Unclaimed dividend	**900,142**	**-**	**(5,043,655)**	**4,270,822**	**127,309**
	30,775,204	**10,083,468**	**(17,660,594)**	**7,535,328**	**30,733,406**

	As at 1 January 2019 BD	Cash flows Receipts BD	Cash flows Payments BD	Others BD	As at 31 December 2019 BD
Loans and borrowings	22,621,820	10,740,750	(12,154,076)	-	21,208,494
Lease liabilities	6,006,777	-	(1,980,145)	3,465,815	7,492,447
Retentions payable	1,175,371	-	(1,250)	-	1,174,121
Unclaimed dividend	1,022,759	-	(7,240,654)	7,118,037	900,142
	30,826,727	10,740,750	(21,376,125)	10,583,852	30,775,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the credit facility agreements that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any credit facility agreements during the years ended 31 December 2020 and 31 December 2019.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019, respectively. Equity comprises of share capital, other reserves and retained earnings net of treasury shares attributable to the shareholders of BMMI B.S.C. and is measured at BD 67,976,469 (2019: BD 69,610,763) as at 31 December 2020.

34 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of financial instruments

Financial instruments of the Group comprise of financial assets and financial liabilities.

Financial assets consist of investments, a portion of trade and other receivables and cash and bank balances. Financial liabilities consist of loans and borrowings, lease liabilities, retentions payable, a portion of trade and other payables and bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2020

34 FAIR VALUE MEASUREMENT (continued)

Fair value of financial instruments (continued)

Fair value of financial instruments is estimated based on the following methods and assumptions:

a) Cash and bank balances, bank overdrafts, a portion of trade and other receivables, retentions payable and a portion of trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments;

b) Loans and borrowings and lease liabilities are evaluated by the Group based on parameters such as interest rates. The carrying amounts are not materially different from their fair values as at 31 December 2020 and 31 December 2019; and

c) The fair values of the quoted investments are determined by reference to published price quotations in an active market and the fair values of unquoted investments have been estimated using indicative bids provided by the fund administrators, using of recent arm's length market transactions, current fair value of another similar instrument or other appropriate valuation techniques.

Fair values of non-financial instruments
The Group measured its investment property at fair value and disclosures relating to the fair value have been disclosed in note 8 and note 11.

Fair value hierarchy
For fair value hierarchy of the Group's assets and liabilities measured at fair value is disclosed in note 11.

Financial assets and liabilities that are not measured at fair values are classified within level 2 of fair value hierarchy except for loans and borrowings and lease liabilities which are classified within level 3 of fair value hierarchy.

35 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year. Such reclassifications do not affect previously reported profit or equity.

03/

2020 Corporate Governance Disclosure

CORPORATE GOVERNANCE CODE

The Board and the Group's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Group has established a BMMI Code of Business Conduct ('the Code') which provides an ethical and legal framework for all employees in the conduct of its business. The Code defines how the Group relates to its employees, shareholders, and the communities in which the Group operates.

The Board of Directors has adopted the Code and a Group's Whistle-blower policy to monitor compliance with Group ethics. The Code provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour, in line with the best practice corporate governance models. The Code sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues. The Code is published in the 'Corporate Governance' section of the Company's website

CORPORATE GOVERNANCE DEVELOPMENTS DURING THE YEAR

During the year, BMMI has revisited its corporate governance framework and guidelines to ensure compliance with the Corporate Governance Law enacted in 2018.

COMPANY'S BOARD, DIRECTORS AND MANAGEMENT

I. Board Procedure

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of shareholders' interests. The Board of Directors' role and responsibilities include but are not limited to:

- Monitoring the overall business performance;
- Monitoring management's performance and succession plan for senior management;
- Monitoring conflicts of interest and preventing abusive related party transactions;
- Accurate preparation of the annual and quarterly consolidated financial statements;
- Convening and preparing for the shareholders' meetings;
- Recommend dividend to shareholders and ensure its execution;
- Adopt, implement and monitor compliance with the Group's Code of Conduct;
- Review the Group's objectives and policies relating to social responsibilities; and
- Select, interview, and appoint Chief Executive Officer and other selected members of the senior management.

In this respect, the Directors remain individually and collectively responsible for performing all the Board of Director's responsibilities.

II. Material transactions requiring board approval

The following material transactions require the Board's review, evaluation and approval:

- The Company's strategy;
- The annual budget;
- Major resource allocations and capital investments; and
- Management responsibilities and training, development, and succession plan for senior management;

Election system of directors and termination process

Election / re-election of the Board members takes place every three years at the meeting of the shareholders. The last election of Board members was held on 14 March 2018.

Termination of a Board member's mandate usually occurs by dismissal at the meeting of the shareholders or by the member's resignation from the Board of Directors.

III. Board Members

The Board of Directors consist of 8 members as of 31 December 2020 (2018: 8 members).
The Board has been elected on 14 March 2018 for a period of 3 years.
The following table summarises the information about the profession, business title, experience in years and start date of the current Board members:

NAME OF BOARD MEMBER	PROFESSION	BUSINESS TITLE	EXECUTIVE/NON-EXECUTIVE INDEPENDENT/NON-INDEPENDENT	EXPERIENCE IN YEARS	START DATE
MR. ABDULLA HASSAN BUHINDI	Businessman	Chairman	Non-executive/non-independent	54	2004
MR. SHAWKI FAKHROO	Businessman	Vice Chairman	Non-executive/independent	47	1992
MR. AHMED YATEEM	Businessman	Director	Non-executive/non- independent	17	2018
MR. JEHAD AMIN	Businessman	Director	Non-executive/independent	43	2004
MRS. MONA ALMOAYYED	Businesswoman	Director	Non-executive/non-independent	46	2004
MR. MOHAMMED ALMOAYYED	Businessman	Director	Non-executive/non-independent	22	2004
MR. REDHA FARAJ	Businessman	Director	Non-executive/independent	59	2006
MR. SUHAIL HAJEE	Banker	Director	Non-executive/independent	33	2011

IV. Board members directorship

NAME OF BOARD MEMBER	NUMBER OF DIRECTORSHIPS IN OTHER LISTED COMPANIES IN BAHRAIN	NUMBER OF DIRECTORSHIPS IN OTHER RELATED COMMERCIAL ENTITIES IN BAHRAIN	POSITION IN KEY REGULATORY/ GOVERNMENT ENTITIES
MR. ABDULLA HASSAN BUHINDI	3	2	none
MR. SHAWKI FAKHROO	2	1	none
MR. JEHAD AMIN	5	0	none
MR. MOHAMMED ALMOAYYED	1	1	none
MR. REDHA FARAJ	1	1	Shura Council Member
MR. SUHAIL HAJEE	1	0	none
MRS. MONA ALMOAYYED	0	1	Shura Council Member
MR. AHMED YATEEM	1	1	none

V. Directors and immediate Family trading of the Company's shares during the year 2020

NAME	POSITION/ KINSHIP	SHARES HELD AS AT 31/12/2020	SHARES HELD AS AT 31 /12/ 2019	TOTAL TRANSFER/ PURCHASE TRANSACTION	TOTAL SALE TRANSACTION
ABDULLA HASSAN BUHINDI	Chairman	133,100	133,100	nil	nil
SHAWKI ALI FAKHROO	Vice-Chairman	587,882	587,882	nil	nil
MONA YOUSEF AL MOAYYED	Director	336,153	336,153	nil	nil
JEHAD YOUSIF AMEEN	Director	2,000,000	2,000,000	nil	nil
REDHA FARAJ	Director	nil	nil	nil	nil
AHMED YATEEM	Director	61,000	42,000	19,000	nil
MOHAMMED FAROUQ AL MOAYYED	Director	637,273	637,273	nil	nil
SUHAIL HAJEE	Director	nil	nil	nil	nil

Code of conduct and procedures adopted by the Board for monitoring compliance

The Board of Directors and the Group's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Group has established a BMMI's Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. The BMMI's Code of Conduct defines how the Group relates to its employees, shareholders, and the community in which the Group operates.

The Board of Directors has adopted the BMMI Code of Business Conduct and a Company's Whistleblower Policy to monitor compliance with the Group's ethics. The Code of Business Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour, in line with the best practice of corporate governance models and ethics.

VI. Management

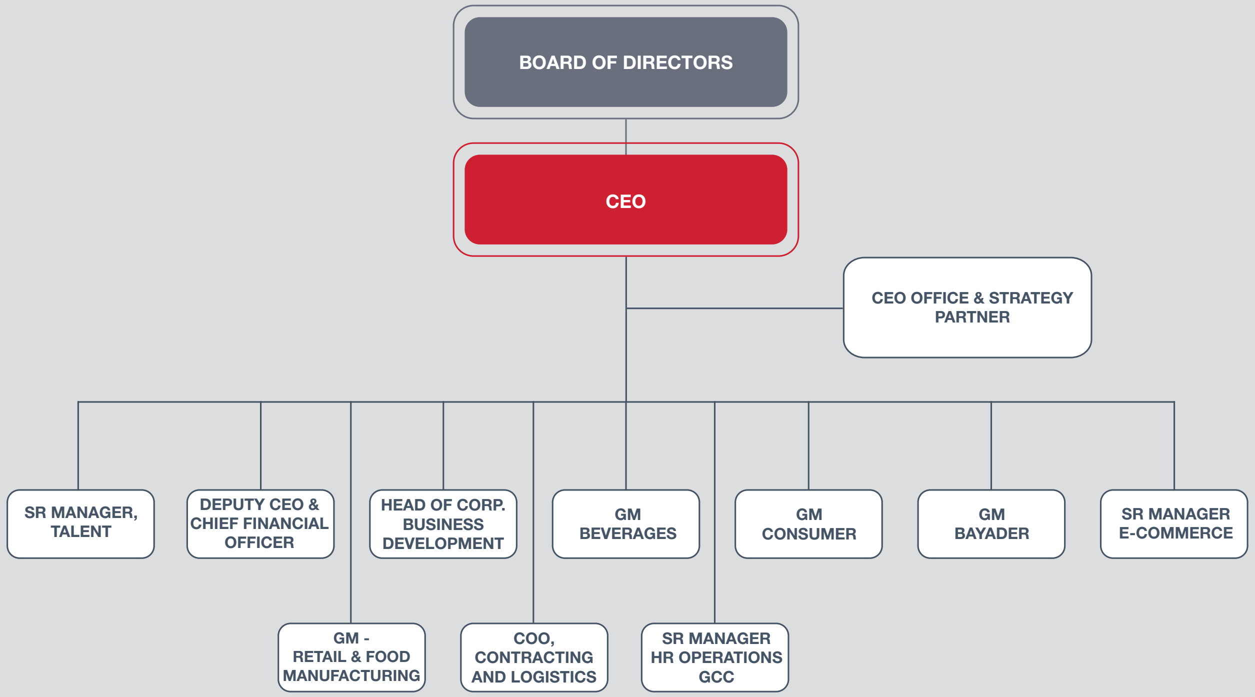
The following table summarises the information about the business title, experience in years and the qualifications of each member of the Executive Management as at 31 December 2020:

NAME OF EXECUTIVE MEMBER	DESIGNATION / BUSINESS TITLE	EXPERIENCE IN YEARS	QUALIFICATION
MR. MAREK SHERIDAN	Chief Executive Officer	36	Master of Business Administration.
MR. ROBERT SMITH	COO - Contracting & Logistics	35	Bachelor's Degree in Business Administration and Diploma in Hotel and Catering operations.
MR. HASAN ALSHARAF	Head of Finance	16	Bachelor's Degree in Accounting and Finance and Fellow member of CCA

The following table summarises the total remuneration paid to members of the Executive Management during the year 2020:

EXECUTIVE MANAGEMENT REMUNERATION	BD 2020	BD 2019
TOTAL	733,693	680,937

VII. Group Organizational Structure



COMMITTEES

The following table summarizes the information about Board's Committees, their members and objectives:

BOARD COMMITTEE	OBJECTIVE	MEMBERS	EXECUTIVE/NON- EXECUTIVE INDEPENDENT/NON- INDEPENDENT
EXECUTIVE COMMITTEE	The Executive Committee is formed to discuss matters with the Group's management regarding senior staffing, financial performance, operational performance, strategies and all other issues as directed by the Board.	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Amin	Non-executive/independent, Chairman Non-executive/non-independent Non-executive/independent
INVESTMENT AND FINANCE COMMITTEE	The Investment and Finance Committee of BMMI is responsible for approving the Group's investment policies, strategies, transactions and reviewing the performance of the Group's investments. The Committee is also to provide assistance to the Board in the review and oversight of the Group's objectives, strategies and policies.	Mr. Jehad Ameen Mrs. Mona Almoayyed Mr. Abdullah Buhindi Mr. Shawki Fakhroo Mr. Suhail Hajee	Non-executive/independent, Chairman Non-executive/non-independent Non-executive/non-independent Non-executive/independent Non-executive/independent
AUDIT COMMITTEE	The Audit Committees is responsible for: 1) Monitoring the integrity of the Financial Reporting Process, BMMI's systems of Internal Control, review of the consolidated financial statements and reports, compliance of the Board with legal and regulatory requirements and the performance of the Group's Internal Audit function. 2) To recommend the appointment of External Auditors, agreeing their compensation, overseeing their independence and preparing reports required to be prepared by the Audit Committee pursuant to Central Bank of Bahrain, Bahrain Bourse, Bahrain Commercial Companies Law and other regulatory authorities in the Kingdom of Bahrain.	Mr. Redha Faraj Mr. Ahmed Yateem Mr. Mohammed Almoayyed	Non-executive/independent, Chairman Non-executive/non-independent Non-executive/non-independent
REMUNERATION AND NOMINATION & CORPORATE GOVERNANCE COMMITTEE	Review and advise the Board on the Board's Composition, new director's nominations and Corporate Governance in addition to Board and Senior Management remuneration.	Mr. Abdulla Hassan Buhindi Mr. Shawki Fakhroo Mrs. Mona Al Moayyed Mr. Jehad Amin Mr. Suhail Hajee	Non-executive/non-independent, Chairman Non-executive/independent Non-executive/non-independent Non-executive/independent Non-executive/independent

BOARD REMUNERATION

The table below sets out the total remuneration of the Board of Directors and Committees consistent with the Company's Compensation policy.

2020 Board remuneration

ALL AMOUNTS IN BD	ANNUAL & SITTING FEES
TOTAL	190,500

I. Executive Committee

The Group should hold a minimum of eight Executive Committee meetings each year. During the year ended 31 December 2020, nine meetings (2019: nine meetings) of the Executive Committee were held. The following table summarises the information about Committee meetings dates and attendance of directors at each meeting:

DATE	MEMBERS ATTENDED	MEMBERS NOT ATTENDED
23-JAN-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-
26-MAR-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-
21-APR-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-
20-MAY-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-
23-JUN-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-
14-JUL-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-
24-SEP-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-
20-OCT-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-
18-NOV-20	Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen	-

The total remuneration for the Executive Committee amounted to BD 31,500 (2019: BD 31,500)

II. Investment and Finance Committee

The Group should hold a minimum of four Investment and Finance Committee meetings each year. During the year ended 31 December 2020, three meetings (2019: five meetings) of the Investment and Finance Committee were held. The following table summarises the information about the Committee meetings dates and attendance of directors at each meeting:

DATE	MEMBERS ATTENDED	MEMBERS NOT ATTENDED
24-FEB-20	Mr. Abdulla Hassan Buhindi Mrs. Mona Almoayyed Mr. Jehad Ameen Mr. Shawki Fakhro Mr. Suhail Hajee	--
28-SEP-20	Mr. Abdulla Hassan Buhindi Mrs. Mona Almoayyed Mr. Jehad Ameen Mr. Shawki Fakhro Mr. Suhail Hajee	--
27-OCT-20	Mr. Abdulla Hassan Buhindi Mrs. Mona Almoayyed Mr. Jehad Ameen Mr. Shawki Fakhro Mr. Suhail Hajee	-

The total remuneration for the Investment and Finance Committee amounted to BD 16,500 (2019: BD 27,500).

III. Audit Committee

The Group should hold a minimum of five Audit Committee meetings each year. During the year ended 31 December 2020, five meetings (2019: five meetings) of the Audit Committee were held. The following table summarises the information about the Committee meetings dates and attendance of directors at each meeting:

DATE	MEMBERS ATTENDED	MEMBERS NOT ATTENDED
19-FEB-20	Mr. Redha Faraj Mr. Ahmed Yateem Mr. Mohammed Almoayyed	--
16-JUN-20	Mr. Redha Faraj Mr. Ahmed Yateem Mr. Mohammed Almoayyed	--
30-JUL-20	Mr. Redha Faraj Mr. Ahmed Yateem Mr. Mohammed Almoayyed	-
26-OCT-20	Mr. Redha Faraj Mr. Ahmed Yateem Mr. Mohammed Almoayyed	-
23-NOV-20	Mr. Redha Faraj Mr. Ahmed Yateem Mr. Mohammed Almoayyed	-

The total remuneration for the Audit Committee amounted to BD 17,500 (2019: BD 17,500).

Key Activities of the Committee

1. External Audit and Financial Reporting

External audit is an examination of the Group's financial statements in accordance with the applicable laws, regulations, and reporting standards.

The Committee recommends the appointment of external auditors, in conjunction with the Management, to the Board of Directors and General Assembly.

The Committee reviews BMMI's quarterly reviewed Financial Statements and Annual Audited Financial Statements and recommends to the Board.

The Committee oversees the independence of the External Auditors.

2. Internal Audit

Internal audit is an independent, objective assurance function, appointed to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Group has outsourced its internal audit function, which reports to the Audit and Risk Committee.

The Committee shall discuss with the Internal Auditor the overall scope, methodology, plans and budget for the internal audit. The risk-based internal audit plan includes a significant emphasis on audit review of areas where major risks have been identified (based on risk ranking) under the risk management mechanism.

The Committee reviews the deliverables submitted by the internal auditors and monitors the performance.

3. Enterprise Risk Management

The objective of the Enterprise Risk Management (ERM) is to coordinate activities to maximise opportunities, and reduce the likelihood and the impact of threats, with the goal of optimising value. The objective of the Enterprise Risk Management is to:

- Embed the management of risk as an integral part of business processes.
- Establish an effective system of risk identification, analysis, evaluation and treatment within all areas and segments of the Group.
- Avoid exposure to significant loss.
- Contribute to the achievement of the Group objectives.
- Assess the benefits and costs of implementing available options and controls to manage risk.

The Group has developed an ERM framework which includes the policy, procedures, risk appetite and tolerance etc. The Group has also established an executive level ERM Committee, headed by the Chief Executive Officer, which reports to the Audit and Risk Committee on a quarterly basis.

4. Compliance

The Group has established an in-house Compliance process, which oversees the regulatory compliance framework and functionally reports to the Audit and Risk Committee.

The Group has established Compliance policies and procedures, which include, but are not limited to, policies regarding anti-money laundering, whistleblowing, personal data protection, customer complaints etc.

The Committee periodically reviews with the Executive Management, including the General Counsel and the Internal Auditors, any correspondence with, or other action by, regulators or governmental agencies and any employee complaints or published reports that raise concerns regarding the Company's financial statements, accounting or auditing matters or compliance with the laws.

IV. Remuneration and Nomination and Corporate Governance Committee

The Group should hold a minimum of two Remuneration and Nomination Committee meetings during each year. During the year ended 31 December 2020, three meetings (2019: two meetings) of the Remuneration and Nomination Committee were held. The following table summarises the information about Committee meetings dates and attendance of directors at each meeting:

DATE	MEMBERS ATTENDED	MEMBERS NOT ATTENDED
24-FEB-20	Mr. Abdulla Hassan Buhindi Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen Mr. Suhail Hajee	-
16-MAR-20	Mr. Abdulla Hassan Buhindi Mrs. Mona Almoayyed Mr. Jehad Ameen Mr. Suhail Hajee Mr. Shawki Fakhroo	-
09-SEP-20	Mr. Abdulla Hassan Buhindi Mr. Shawki Fakhroo Mrs. Mona Almoayyed Mr. Jehad Ameen Mr. Suhail Hajee	-

The total remuneration for the Remuneration and Nomination Committee amounted to BD 16,500 (2019: BD 11,000).

CORPORATE GOVERNANCE OFFICER

NAME	Mr. Jad Moukheiber
QUALIFICATION	Bachelors at Law Master's in Political Sciences & International Affairs
DATE OF APPOINTMENT	2012
OFFICE NUMBER	+973 17746113
OFFICE EMAIL	jmukheiber@bmmi.com.bh

EXTERNAL AUDITORS

Ernest & Young (EY) is one of the Largest International Audit Firms with extensive blue-chip experience in Audit, Assurance, Advisory, Tax and Transaction Advisory Services.

NAME OF AUDIT FIRM	ERNST & YOUNG (EY)
YEARS OF SERVICE AS THE COMPANY'S EXTERNAL AUDITORS	13 years
NAME OF PARTNER IN CHARGE OF THE COMPANY'S AUDIT	Kazim Merchant
THE PARTNER'S YEARS OF SERVICE AS IN-CHARGE OF THE COMPANY	2 Year
TOTAL AUDIT FEES FOR THE YEAR ENDED 31 DECEMBER 2020	BD29,930
OTHER SPECIAL FEES FOR NON-AUDIT SERVICES	None

CONFLICT OF INTEREST

In the instance of a conflict of interest arising because of any business transaction or any type of resolution to be taken, the concerned Board member shall refrain from participating at the discussion of such transaction or resolution to be taken. In this respect, BMMI's Board members usually inform the Board of a potential conflict of interest prior to the discussion of any transaction or resolution. The concerned Board member(s) also refrain from voting in any instances where conflict of interest may arise. The abstention of Board members from voting is also recorded in the minutes of the meeting where the conflict of Interest has occurred. On the other hand, the Board hereby recognises some exceptions mainly pertaining to the Board, Board Committees' composition and Board Members whereby such exceptions remain necessary and vital to the Company's Sound Governance, Interest Safeguard and Continuity. With regard to Third Party related Transactions, the below list stipulates the details of such transactions that, prior to closure, were subject to the Group's Rigorous policy for Contracts Tendering & Award.

RELATED PARTY TRANSACTIONS 2020

NAME	COUNTRY OF INCORPORATION	TRANSACTIONS/ BALANCES		RELATIONSHIP
BANZ GROUP B.S.C.	Kingdom of Bahrain	Revenue	BD 1,106	Other related party
UQLC FACILITY MANAGEMENT COMPANY LIMITED	Kingdom of Bahrain	Receivables	BD 355,923	Joint Venture
METRO MARKET (TRAFCO) BUDAIYA'A	Kingdom of Bahrain	Revenue Receivables	BD 42,015 BD 1,510	Other related party
ALMOAYYED SECURITY	Kingdom of Bahrain	General and administrative expenses	BD 84,298	Other related party
ASHRAF'S	Kingdom of Bahrain	Payables General and administrative expenses/Project	BD 31,554 BD 288,914	Other related party
ALMOAYYED CLEANING & MAINTENANCE W.L.L.	Kingdom of Bahrain	General and administrative expenses	BD 112,161	Other related party
ALMOAYYED DISTRIBUTION W.L.L.	Kingdom of Bahrain	Payables General and administrative expenses	BD 2,104 BD 18,469	Other related party
SHUTDOWN MAINTENANCE SERVICES W.L.L	Kingdom of Bahrain	General and administrative expenses	BD 24,963	Other related party
ALMOAYYED CAR LEASING - DIVISION OF YOUSIF KHALIL & SONS	Kingdom of Bahrain	Payables General and administrative expenses/Project	BD 47,069 BD 167,628	Other related party
ALMOAYYED INTERIORS	Kingdom of Bahrain	General and administrative expenses/Project	BD 12,942	Other related party
TRAFCO GROUP B.S.C.	Kingdom of Bahrain	Payables General and administrative expenses	BD 16,490 BD 197,616	Other related party
BAHRAIN CINEMA COMPANY B.S.C.	Kingdom of Bahrain	Receivables Revenue	BD 2,189 BD 6,505	Other related party
BAHRAIN DUTY FREE COMPLEX	Kingdom of Bahrain	Revenue	BD 1,902	Other related party
BAHRAIN ELECTROMECHANICAL SERVICES CO. W.L.L	Kingdom of Bahrain	Payables General and administrative expenses/Project	BD 10,390 BD 285,482	Other related party
BAHRAIN NATIONAL HOLDING	Kingdom of Bahrain	Receivables Revenue	BD 3,300 BD 9,900	Other related party
YATEEM AIRCONDITIONING COMPANY W.L.L	Kingdom of Bahrain	General and administrative expenses	BD 75,390	Other related party
ALMOAYYED COMPUTERS	Kingdom of Bahrain	Payables General and administrative expenses	BD 1,286 BD 210,673	Other related party

MEANS OF COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group is committed to providing relevant and timely information to its shareholders in accordance with its continuous disclosure obligations under the Code of Corporate Governance.

Information is communicated to shareholders through the distribution of the Group's Annual Report and other communications. All releases are posted on the Group's website and released to the shareholders and Bahrain Bourse in a timely manner.

The Company Secretary is responsible for communications with the shareholders and Bahrain Bourse and ensuring that the Company meets its continuous disclosure obligations.

EVALUATION OF BOARD PERFORMANCE

The Annual General Meeting of these shareholders evaluates on annual basis the Board of Directors' performance and absolves it from liabilities.

SOCIAL RESPONSIBILITY

Review of internal control processes and procedures

The review of internal control process and procedures is performed regularly by the Group's internal auditors, which is outsourced, to ensure independence, transparency, and efficiency.

The Group discharges its social responsibilities through corporate donations and sponsorships and Alosra Charity Foundation's expenditure on projects aiming at social sustainable development and relief. Below is a list of 2020 Corporate CSR Activities & Contributions:

2020 CORPORATE SPONSORSHIPS			
AMERICAN WOMEN'S ASSOCIATION	The 19th Cherry Tree Trot Fundraising event	January 8, 2020	BD 1,000
BAHRAIN THEATRE UNION	Supporting the society's effort of elevating culture and preserving theatre in the Kingdom	January 8, 2020	BD 1,000
FOUR STUDENT CENTER EDUCATIONAL CONSULTANCY AND ENTREPRENEURS	Sponsoring 'Qrar' show, an educational and interactive event that guides students and their caregivers on making informed education and career decisions in an engaging way	January 23, 2020	BD 500
ROTARY CLUB OF MANAMA	6-a-side football tournament	January 27, 2020	BD 1,000
MIGRANT WORKERS PROTECTION SOCIETY (MWPS)	Supporting to provide ten direct one-way flight home to workers stranded in Bahrain	January 28, 2020	BD1,500
SUPREME COUNCIL FOR THE ENVIRONMENT	Environmental Awareness Exhibition-Bahrain's National Environment Day	February 2, 2020	BD1,000
BUSAITEEN SPORTS & CULTURAL CLUB	Annual support of club sports & social activities	March 12, 2020	BD1,000
BUSAITEEN SPORTS & CULTURAL CLUB	Ramadan charitable activities and community outreach	March 12, 2020	BD1,000
INDIAN LADIES ASSOCIATION	SNEHA (a free recreation centre for mentally challenged children of all nationalities)	November 4, 2020	BD 500
AL-AHLI CLUB	Support of the club's sports 2019/2020 season and all activities in order to elevate youth and sports in the Kingdom	July 31, 2020	BD 2,500
TOTAL			**BD11,000**

STATEMENT OF SHAREHOLDERS EQUITY

CONSOLIDATED SHAREHOLDING PATTERN AS ON 31/12/2020			
CATEGORY	**NO.OF HOLDERS**	**TOTAL SHARES**	**% TO EQUITY**
INDIVIDUAL	302	51250182	35.000130 %
PRIVATE COMPANIES	40	35692794	24.375570 %
CLOSED LOCAL COMPANIES	13	26208278	17.898339 %
PUBLIC LOCAL COMPANIES REGISTERED IN BHB	7	25408415	17.352091 %
BOARD MEMBERS	6	3736408	2.551694 %
INDIVIDUAL PRIVATE COMPANIES	7	3258917	2.225602 %
INSURANCE COMPANIES	1	805255	0.549930 %
PROF,CUL.,WOMEN,CHARITY AND RELIGN. SOCIETY	1	52800	0.036059 %
FOREIGN INVESTOR	1	10500	0.007171 %
LOCAL INVESTOR	1	5000	0.003415 %
TOTAL	**379**	**146428549**	**100.00 %**

Description of the Shareholders who hold 5% or more of the Company's Share Capital
as at 31/12/2020

SHAREHOLDERS HOLDING 5 % AND ABOVE SHARES AS ON 31/12/2020							
SHAREHOLDER NO	NAME	PREVIOUS HOLDINGS 30/11/2019	BUYING (+)	BUYING (+)	PRESENT HOLDINGS	% OF EQUITY	CATEGORY
BAH34201CR	A.M. Yateem Bros. W.L.L.	14646989	0	0	14646989	10.00%	PRIVATE COMPANIES
BAH2350901CR	Bahrain Duty Free Shop Complex	11108513	0	0	11108513	7.59%	PUBLIC LOCAL COMPANIES REGISTERED IN BHB
BAH142701CR	Y.K. Almoayyed & Sons B.S.C.(C)	8742189	0	0	8742189	5.97%	CLOSED LOCAL COMPANIES

Dispersion of distribution of Shareholders to their respective holding
as at 31/12/2020

DISTRIBUTION SCHEDULE - CONSOLIDATED AS ON 31/12/2020					
SHARES CATEGORY	NO. OF HOLDERS	% OF HOLDERS	TOTAL SHARES	AMOUNT	% OF AMOUNT
1 - 500	15	3.947368	1982	198	0.001352
1001 - 2000	23	6.052632	35689	3569	0.024374
2001 - 3000	10	2.631579	24514	2451	0.016739
3001 - 4000	12	3.157895	45226	4523	0.030889
4001 - 5000	12	3.157895	55636	5564	0.037998
5001 - 10000	32	8.421053	229104	22910	0.156459
10001 & Above	275	72.631579	146036398	14603640	99.732190
TOTAL	**379**	**100.00**	**146428549**	**14642855**	**100.00 %**

COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

PRINCIPLE	NON-COMPLIANT	PARTIALLY COMPLIANT	FULLY COMPLIANT	EXPLANATION IN CASE OF NON-COMPLIANCE
Principle 1: The Company shall be headed by an effective, qualified and expert board.	-	-	√	-
Principle 2: The directors and executive management shall have full loyalty to the company.	-	-	√	-
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.	-	-	√	-
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors	-	-	√	-
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.	-	-	√	-
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.	-	-	√	-
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.	-	-	√	-
Principle 8: The Company shall disclose its corporate governance.	-	-	√	-
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.	-	-	√	-
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.	-	-	√	-
Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a.	-	-	-	Not Applicable