# Bahrain Family Leisure Company B.S.C.

Financial statements for the
year ended 31 December 2020

**Index**

| | | |
|---|---|---|
| **Commercial registration no.** | 32196-01 obtained on 13 July 1994<br>32196-04 obtained on 5 August 2000<br>32196-05 obtained on 27 June 2001<br>32196-06 obtained on 21 November 2004<br>32196-07 obtained on 25 March 2006<br>32196-13 obtained on 21 August 2011<br>32196-14 obtained on 9 September 2014 | |
| **Directors** | Mr Abdul Latif Khalid Al Aujan | Chairman |
| | Mr Garfield Jones | Vice-Chairman and Managing Director |
| | Mr Adel Salman Kanoo | Director |
| | Mr Bashar Mohammed Ali Alhassan | Director |
| | Mr Sharif Mohammed Ahmadi | Director |
| | Mr Charbel Sarkis (Joined from 16 February 2020) | Director |
| **Nominating and remuneration committees** | Mr Abdul Latif Khalid Al Aujan | Chairman |
| | Mr Adel Salman Kanoo | |
| | Mr Sharif Mohammed Ahmadi | |
| | Mr Charbel Sarkis d(Joined from 16 February 2020) | |
| **Audit committee** | Mr Charbel Sarkis (Joined from 16 February 2020) | Chairman |
| | Mr Bashar Mohammed Ali Alhassan | |
| | Mr Garfield Jones | |
| **Executive Committee** | Mr Garfield Jones | Chairman |
| | Mr Adel Salman Kanoo | |
| | Mr Sharif Mohammed Ahmadi | |
| **Corporate governance committee** | Mr Adel Salman Kanoo | Chairman |
| | Mr Sharif Mohammed Ahmadi | |
| | Mr Charbel Sarkis (Joined from 16 February 2020) | |
| **Registered office** | Gulf Executive Offices<br>10th Floor, Block No. 338<br>Adliya,<br>PO Box 11612<br>Manama<br>Kingdom of Bahrain | |
| **Registrars** | Kfin Technologies (Bahrain) W.L.L.<br>PO Box 514, Manama, Kingdom of Bahrain<br>Bahrain Clear B.S.C. (c)<br>PO Box 3203, Manama, Kingdom of Bahrain | |
| **Bankers** | National Bank of Bahrain<br>Bank of Bahrain and Kuwait<br>National Bank of Kuwait | |
| **Auditors** | BDO<br>17 Floor, Diplomat Commercial Office Tower<br>PO Box 787<br>Manama<br>Kingdom of Bahrain | |

Dear Shareholders

The Board of Directors have pleasure in submitting the audited financial statements of Bahrain Family Leisure Company B.S.C. ("the Company" or "BFLC") for the year ended 31 December 2020.

**Principal activities and review of business developments**

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

The results for the year are set out on pages 8 and 9 of the financial statements.

**Dividend**

The Board of Directors of the Company do not propose any dividend for the year ended 31 December 2020 (2019: BDNil).

**Meeting fee**

The Company has paid attendance fee to Board of Directors for attending Board meetings amounting to BD28,150:

| | |
|---|---|
| Chairman's sitting fees | BD3,800 |
| Chairman's remuneration | BDNil |
| Directors' sitting fees | BD24,350 |
| Directors' remuneration | BDNil |

During the year ended 31 December 2020, the General Manager, and his most highly paid employee made BD42,816 in salaries and benefits:

| | |
|---|---|
| Salaries and bonuses to key management personnel | BD40,450 |
| Long-term benefits to key management personnel | BD2,366 |

**Representation and audit**

The Company's activities for the year ended 31 December 2020 have been conducted in accordance with the Bahrain Commercial Companies Law and other relevant statutes of the Kingdom of Bahrain.

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

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

Signed on behalf of the Board:

Abdul Latif Khalid Al Aujan
Chairman

Garfield Jones
Vice Chairman and
Managing Director

22 February 2021

BDO

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

### Report on the audit of the financial statements

**Opinion**
We have audited the financial statements of Bahrain Family Leisure Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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

**Key audit matters**
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

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

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

*Financial assets at fair value through profit or loss*
The Company has quoted investments amounting to BD3,288,898 disclosed in Note 9 which form a material balance in the financial statements of the Company and are subject to change in the fair value. This could have significant impact on the Company's results if assets are misstated.

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

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

**Report on the audit of the financial statements (continued)**

**Key audit matters (continued)**
*Going Concern*
Due to Covid-19 pandemic and restrictions on dinning, the Company has experienced a significant reduction in its operating income during the year ended 31 December 2020. All of the restaurants operated by the Company were closed from March 2020 to October 2020 causing the decrease in operating income by BD968,982 as compared to the prior year. Considering Covid-19 pandemic and the subsequent economic impact, there was significant judgement involved in preparing the cashflow projections used in the going concern assessment. Owing to the level of management judgement and estimation, we identified a key audit matter in relation to the appropriateness of the going concern basis of accounting.

We obtained management's updated financial models used to support their going concern assumptions and tested their clerical accuracy. We obtained and assessed evidence used to support the assumptions used by management and considered whether downside scenarios were considered and whether any potential mitigations were reasonable and realistic.

We have also considered the cashflow projections provided by the management and assessed the historical accuracy of cashflow projections prepared by management.

We have critically evaluated the managements' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year-end through discussion with the Board and Audit Committee.

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

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

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

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

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**Report on the audit of the financial statements (continued)**

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

**Report on other legal and regulatory requirements**

(A) As required by the Bahrain Commercial Companies Law, we report that:

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

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

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

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2020.

BDO

BDO Public Accountants Reg. No. 151 Nath Venkitachalam Viswanath

Manama, Kingdom of Bahrain
22 February 2021

See Auditor's Report dated 22-02-2021
Signed by BDO, CR No. 10201-04
Partner: Nath Venkitachalam Viswanath
Reg. No. 151
Signature:

**Bahrain Family Leisure Company B.S.C.**
**Statement of financial position as at 31 December 2020**
**(Expressed in Bahrain Dinars)**

| | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | 205,788 | 379,198 |
| Intangible assets | 7 | 17,053 | 20,785 |
| Right-of-use assets | 8 | 338,266 | 782,245 |
| Financial assets at fair value through profit or loss | 9 | 3,288,898 | 4,056,741 |
| | | 3,850,005 | 5,238,969 |
| **Current assets** | | | |
| Inventories | 10 | 18,107 | 29,496 |
| Trade and other receivables | 11 | 64,225 | 121,462 |
| Cash and cash equivalents | 12 | 120,258 | 356,275 |
| | | 202,590 | 507,233 |
| **Total assets** | | 4,052,595 | 5,746,202 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 13 | 4,000,000 | 4,000,000 |
| Statutory reserve | 14 | 794,927 | 794,927 |
| Capital reserve | 15 | 68,245 | 68,245 |
| Accumulated losses | | (1,215,444) | (66,244) |
| Treasury shares | 13 | (400,000) | (400,000) |
| **Total equity** | | 3,247,728 | 4,396,928 |
| **Non-current liabilities** | | | |
| Employees' terminal benefits | 16 | 68,169 | 89,325 |
| Non-current portion of lease liabilities | 18 | 235,718 | 560,904 |
| | | 303,887 | 650,229 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 385,523 | 463,114 |
| Current portion of lease liabilities | 18 | 115,457 | 235,931 |
| | | 500,980 | 699,045 |
| **Total liabilities** | | 804,867 | 1,349,274 |
| Total equity and liabilities | | 4,052,595 | 5,746,202 |

The audited financial statements were approved, authorised for issue by the Board of Directors and signed on their behalf by:

Abdul Latif Khalid Al Aujan
Chairman

Garfield Jones
Vice-Chairman and
Managing Director

See Auditor's Report dated 22-02-2021
Signed by BDO, CR No. 10201-04
Partner: Nath Venkitachalam Viswanath
Reg. No. 151
Signature:

**Bahrain Family Leisure Company B.S.C.**
**Statement of profit or loss and other comprehensive income**
**for the year ended 31 December 2020**
**(Expressed in Bahrain Dinars)**

| | Notes | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|---|
| Operating income, net | 19 | 429,072 | 1,398,054 |
| Operating costs | 20 | (802,752) | (1,257,639) |
| Operating gross (loss) / profit | | (373,680) | 140,415 |
| **Expenses** | | | |
| General and administrative expenses | 21 | (106,023) | (122,955) |
| Finance cost on lease liabilities | | (23,740) | (34,242) |
| Selling and advertising expenses | | (4,969) | (64,668) |
| Directors' fees | | (28,150) | (43,300) |
| **Total expenses** | | (162,882) | (265,165) |
| **Losses from continuing operations** | | (536,562) | (124,750) |
| **Loss on discontinued operations** | 22 | (103,563) | (102,382) |
| **Loss before losses on investment and other income** | | (640,125) | (227,132) |
| Losses on investment and other income | 23 | (509,075) | (1,373,142) |
| **Net loss and total comprehensive loss for the year** | | (1,149,200) | (1,600,274) |
| **Basic and diluted loss per share** | 24 | Fils (31.92) | Fils (44.45) |

The audited financial statements were approved, authorised for issue by the Board of Directors and signed on their behalf by:

Abdul Latif Khalid Al Aujan
Chairman

Garfield Jones
Vice-Chairman and
Managing Director

**Bahrain Family Leisure Company B.S.C.**
**Statement of changes in shareholders' equity for the year ended 31 December 2020**
**(Expressed in Bahrain Dinars)**

| | Share capital | Statutory reserve | Capital reserve | Retained earnings/ (accumulated losses) | Treasury shares | Total |
|---|---|---|---|---|---|---|
| At 31 December 2018 | 4,000,000 | 794,927 | 68,245 | 1,534,030 | (400,000) | 5,997,202 |
| Net loss and other comprehensive loss for the year | - | - | - | (1,600,274) | - | (1,600,274) |
| At 31 December 2019 | 4,000,000 | 794,927 | 68,245 | (66,244) | (400,000) | 4,396,928 |
| Net loss and other comprehensive loss for the year | - | - | - | (1,149,200) | - | (1,149,200) |
| At 31 December 2020 | 4,000,000 | 794,927 | 68,245 | (1,215,444) | (400,000) | 3,247,728 |

**Bahrain Family Leisure Company B.S.C.**
**Statement of cash flows for the year ended 31 December 2020**
**(Expressed in Bahrain Dinars)**

| | Notes | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|---|
| **Operating activities** | | | |
| Net loss for the year | | (1,149,200) | (1,600,274) |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 6 | 138,948 | 158,365 |
| Impairment loss on property, plant and equipment | 6 | 38,926 | - |
| Amortisation of intangible assets | 7 | 3,732 | 3,704 |
| Amortisation of right-of-use asset | 8 | 254,254 | 256,652 |
| Unrealised fair value loss on financial assets at fair value through profit or loss | 9 | 766,598 | 1,666,688 |
| Finance cost on lease liabilities | 18 | 23,740 | 40,360 |
| Interest income | 23 | (3,347) | (4,921) |
| Dividend income | 23 | (143,007) | (286,508) |
| Rent concessions | 23 | (70,661) | - |
| Gain on lease termination and modification | 23 | (33,147) | - |
| Gain on sale of property, plant and equipment | 23 | - | (213) |
| Changes in operating assets and liabilities: | | | |
| Inventories | | 11,389 | 32,412 |
| Trade and other receivables | | 57,238 | (1,507) |
| Trade and other payables | | (77,591) | (112,915) |
| Employees' terminal benefits, net | | (21,156) | 3,456 |
| Net cash (used in)/provided by operating activities | | (203,284) | 155,299 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 6 | (4,464) | (24,605) |
| Purchase of intangible assets | 7 | - | (1,420) |
| Additions in financial assets at fair value through profit and loss | 9 | (51) | - |
| Proceeds from sale of financial assets at fair value through profit and loss | | 1,296 | 7,233 |
| Proceeds from sale of property, plant and equipment | | - | 224 |
| Interest received | 23 | 3,347 | 4,921 |
| Dividend received | 23 | 143,007 | 286,508 |
| Net cash provided by investing activities | | 143,135 | 272,861 |
| **Financing activities** | | | |
| Principal and interest paid on lease liabilities | | (175,868) | (244,257) |
| Net cash used in financing activities | | (175,868) | (244,257) |
| Net (decrease)/increase in cash and cash equivalents | | (236,017) | 183,903 |
| Cash and cash equivalents, beginning of the year | | 356,275 | 172,372 |
| Cash and cash equivalents, end of the year | 12 | 120,258 | 356,275 |

## 1 Organisation and activities

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

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

**Name and status of the divisions:**

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

* Board of Directors has decided in their Board meeting has decided held on 7 October 2020, to close the operations of Bayti ("the restaurant). The Company has effectively closed the operation on 16 October 2020. The Company has disclosed the operation of Bayti as discontinued operations in the statement of profit or loss and other comprehensive income during the year and disclosed the results in Note 22.

These financial statements, set out on pages 8 to 36, were approved and authorised for issue by the Board of Directors on 22 February 2021.

## 2 Basis of preparation

***Statement of compliance***

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

***Basis of presentation***

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

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

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

## 2 Basis of preparation (continued)

***Improvements/amendments to IFRS/IAS***

Improvements/amendments to IFRS/IAS contained numerous amendments to IFRS/IAS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's future accounting year with earlier adoption.

***Standards, amendments and interpretations effective and adopted in 2020***

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2020 and has been adopted in the preparation of these financial statements:

| Standard or interpretation | Title | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 16 | COVID-19-Related Rent Concessions (Amendments to IFRS 16) | 1 June 2020 |

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Company has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Company, occurred from March 2020 to November 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Company remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in Note 5(b).

## 2 Basis of preparation (continued)

***Standards, amendments and interpretations issued and effective in 2020 but not relevant***

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting year beginning on or after 1 January 2020 or subsequent years, but is not relevant to the Company's operations:

| Standard or interpretation | Title | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 1 | Presentation of financial statements | 1 January 2020 |
| IAS 8 | Accounting policies, changes in accounting estimates and errors | 1 January 2020 |
| IAS 39 | Financial instruments: recognition and measurements | 1 January 2020 |
| IFRS 3 | Business combinations | 1 January 2020 |
| IFRS 7 | Financial instruments: Disclosures | 1 January 2020 |
| IFRS 9 | Financial instruments | 1 January 2020 |

***Standards, amendments and interpretations issued but not yet effective in 2020***

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2020. They have not been adopted in preparing the financial statements for the year ended 31 December 2020 and will or may have an effect on the Company's future financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

| Standard or interpretation | Title | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 39 | Financial instruments: recognition and measurements | 1 January 2021 |
| IFRS 4 | Insurance contracts | 1 January 2021 |
| IFRS 7 | Financial instruments: Disclosures | 1 January 2021 |
| IFRS 9 | Financial instruments | 1 January 2021 |
| IFRS 16 | Leases | 1 January 2021 |
| IAS 16 | Property, plant and equipment – Proceeds before Intended Use | 1 January 2022 |
| IAS 37 | Onerous contracts – Cost of fulfilling a contract | 1 January 2022 |
| IFRS 3 | Reference to the conceptual framework | 1 January 2022 |
| IAS 1 | Classification of liabilities as current or non-current | 1 January 2023 |
| IFRS 17 | Insurance contracts | 1 January 2023 |

***Early adoption of amendments or standards in 2020***

The Company did not early-adopt any new or amended standards in 2020. There would have been no change in the operational results of the Company for the year ended 31 December 2020 had the Company early adopted any of the above standards applicable to the Company.

## 3 Significant accounting policies

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

***Property, plant and equipment***

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

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

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

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

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

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

***Intangible assets***

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

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

***Leases***

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

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

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

## 3 Significant accounting policies (continued)

***Leases (continued)***

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

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

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

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

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

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

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

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

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

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

## 3 Significant accounting policies (continued)

***Leases (continued)***

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

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount; and

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

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

***Financial assets***

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

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

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

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

Financial assets at amortised cost

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

## 3 Significant accounting policies (continued)

***Financial assets (continued)***

*Trade and other receivables*

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

*Cash and cash equivalent*

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

***Financial liabilities***

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

*Trade and other payables*

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

***Inventories***

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

***Share capital***

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

***Employees' terminal benefits***

*Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## 3 Significant accounting policies (continued)

***Employees' terminal benefits (continued)***

*Post-employment benefits*

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Company's contributions are charged to the statement of profit or loss and other comprehensive income in the year to which they relate. In respect of this plan, the Company has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Company accrues for its liability in this respect on an annual basis.

***Revenue recognition under IFRS 15***

*a. Sale of goods*

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

*b. Services income*

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

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

***Determining the transaction price***

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

***Foreign currency transactions***

Foreign currency transactions are accounted for at the rates of exchange prevailing on the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss and other comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

## 4 Critical accounting estimates and judgments

Preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- economic useful lives of property, plant and equipment and intangible assets;
- economic useful lives of right of use assets;
- determination of lease term and the borrowing rates for leases;
- fair value measurement;
- impairment of assets;
- going concern; and
- contingencies.

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

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

***Economic useful life of right of use assets***

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

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

Economic useful lives of right of use assets are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

***Determination of lease term and the borrowing rates for leases***

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

## 4 Critical accounting estimates and judgments (continued)

### *Fair value measurement*

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

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. The Company has only one category of financial assets which is carried at fair value on a recurring basis. Disclosure relating to fair value hierarchy and basis of measurement is included in Note 29.

### *Impairment of assets*

The Company creates provisions for impaired trade receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2020, in the opinion of the Company's management, no provision is required towards impaired trade and other receivables (2019: BDNil). IFRS 9 has fundamentally changed the loan loss impairment methodology. The standard has replaced IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Company is required to record an allowance for expected losses for all loans and other debt type financial assets not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Company also creates allowance for obsolete and slow-moving inventories. At 31 December 2020, in the opinion of management, no provision is required for the obsolete and slow-moving inventories (2019: BDNil). Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the year.

### *Going concern*

The management of the Company reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Company ensure that they provide adequate financial support to fund the requirements of the Company to ensure the going concern status of the Company.

### *Contingencies*

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

## 5 Significant events and transactions

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, a Company has experienced significant disruption to its operations in the following respects:

- Due to local governments mandating that shopping centres and other 'non-essential' businesses cease normal operations;
- Disruptions in the supply of inventory from major suppliers;
- Decreased in demand of dine-in restaurants as a consequence of social distancing requirements and recommendations;
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for a Company's primary products.

Based on the nature of operations and the industry in which it operates, the Company's management assessed the significant impact of COVID-19 in the below areas:

(a) Decrease in operating income;
(b) Rent concessions;
(c) Government grants; and
(d) Going concern.
(e) Commitments and contingent liabilities

*(a) Decrease in operating income*

Company has experienced a significant reduction in its operating income since pandemic effect was widespread during the year ended 31 December 2020. The Company is engaged in operating restaurants, providing services related to family entertainment, supply of amusement related equipment. All of the restaurants operated by the Company were closed from March 2020 to October 2020 causing the decrease in operating income by BD968,982 as compared to the prior year. The Company has reported a total operating income of BD429,072 for the year as compared to BD1,398,054 in the corresponding previous year.

Considering the facts disclosed above, the Company has decided to close the operation of Bayti ("the restaurant) and the Company has performed the impairment assessment and recorded an impairment on assets amounting to BD38,926.

*(b) Rent concessions*

As discussed in Note 2, the Company has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the year ended 31 December 2020 satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of BD70,661. The effect of this reduction has been recorded in the statement of profit or loss and other comprehensive income in the period in which the event or condition that triggers those payments occurs.

*(c) Government grants*

The Company has applied for government support programs introduced in response to the global pandemic. The Company has received a government grant of BD12,354 relating to supporting the payroll of the Company's employees. The Company has elected to present this government grant by reducing the related expense. The Company had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Company does not have any unfulfilled obligations relating to this program.

## 5 Significant events and transactions (continued)

### *(d) Going concern*

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may contribute to evolve, but at the present time the projections show that the Company has ample resources to continue to operational existence and its going concern positions remain largely unaffected and unchanged. As a result, these financial statements have been appropriately prepared on a going concern basis.

### *(e) Commitments and contingent liabilities*

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Company, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issue were noted except for the dispute on the claim amount by the Landlord of Bayti for remaining period of lease contract. As at 31 December 2020, the Company has assessed the claim amount of BD135,589 with their legal advisor and recorded a provision of BD15,000.

No other significant impact noted by the management on other areas during the year ended 31 December 2020.

## 6 Property, plant and equipment

| | Buildings on leasehold land | Kitchen equipment | Furniture, fixtures and office equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| At 31 December 2018 | 1,100,288 | 500,899 | 1,001,166 | 61,103 | 2,663,456 |
| Additions during the year | - | 10,187 | 13,668 | 750 | 24,605 |
| Written-off during the year | - | - | - | (1,825) | (1,825) |
| At 31 December 2019 | 1,100,288 | 511,086 | 1,014,834 | 60,028 | 2,686,236 |
| Additions during the year | - | - | 4,464 | - | 4,464 |
| Disposal | - | (245) | (400) | - | (645) |
| At 31 December 2020 | 1,100,288 | 510,841 | 1,018,898 | 60,028 | 2,690,055 |
| ***Accumulated depreciation*** | | | | | |
| At 31 December 2018 | 984,794 | 406,325 | 700,594 | 58,774 | 2,150,487 |
| Charge for the year | 53,086 | 24,226 | 79,572 | 1,481 | 158,365 |
| On written-off | - | - | - | (1,814) | (1,814) |
| At 31 December 2019 | 1,037,880 | 430,551 | 780,166 | 58,441 | 2,307,038 |
| Charge for the year * | 57,183 | 24,466 | 56,952 | 347 | 138,948 |
| Impairment ** | - | - | 38,926 | - | 38,926 |
| On disposal | - | (245) | (400) | - | (645) |
| At 31 December 2020 | 1,095,063 | 454,772 | 875,644 | 58,788 | 2,484,267 |
| ***Net book value*** | | | | | |
| At 31 December 2020 | 5,225 | 56,069 | 143,254 | 1,240 | 205,788 |
| At 31 December 2019 | 62,408 | 80,535 | 234,668 | 1,587 | 379,198 |

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

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Operating costs (Note 20) | 113,937 | 134,839 |
| Non-operating expenses | 1,410 | 2,678 |
| Discontinued operations (Note 22) | 23,601 | 20,848 |
| | 138,948 | 158,365 |

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

* Depreciation charge for the year includes an amount of BD17,149 (2019: BDNil) towards accelerated depreciation on account of office closed during 2021.

** On closure of Bayti restaurant, the Company performed the impairment assessment and concluded that Impairment is required amounting to BD38,962 (2019: BDNil).

As at 31 December 2020, property, plant and equipment includes the assets of Bayti ("the restaurant) at net book value amounting to BD73,149 (2019: BD96,750).

## 7 Intangible assets

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| ***Cost*** | | |
| Opening balance | 291,336 | 289,916 |
| Additions during the year | - | 1,420 |
| Closing balance | 291,336 | 291,336 |
| ***Accumulated amortization*** | | |
| Opening balance | 270,551 | 266,847 |
| Amortisation charge for the year | 3,732 | 3,704 |
| Closing balance | 274,283 | 270,551 |
| ***Net book value*** | 17,053 | 20,785 |

Amortisation on intangible assets is charged in the statement of profit or loss and other comprehensive income as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| General and administrative expenses (Note 21) | 3,482 | 3,475 |
| Discontinued operations (Note 22) | 250 | 229 |
| | 3,732 | 3,704 |

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Franchise fee | 13,645 | 15,642 |
| Computer software | 3,201 | 4,581 |
| Trademark | 207 | 562 |
| | 17,053 | 20,785 |

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

As at 31 December 2020, intangible includes the assets of Bayti ("the restaurant) at net book value amounting to BD707 (2019: BD957).

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

## 8 Right-of-use asset

| | Office building | Outlets/ restaurants | Total |
|---|---|---|---|
| Additions during the year | 148,629 | 890,268 | 1,038,897 |
| Amortisation charge for the year | (70,745) | (185,907) | (256,652) |
| At 31 December 2019 | 77,884 | 704,361 | 782,245 |
| Additions during the year | - | 35,772 | 35,772 |
| Lease termination during the year | (9,277) | (115,116) | (124,393) |
| Adjustment on lease modification during the year | - | (101,104) | (101,104) |
| Amortisation charge for the year | (19,732) | (234,522) | (254,254) |
| At 31 December 2020 | 48,875 | 289,391 | 338,266 |

## 8 Right-of-use assets (continued)

Amortisation on right-of-use asset is charged in the statement of profit or loss and other comprehensive income as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Operating costs (Note 20) | 220,396 | 212,965 |
| Discontinued operations (Note 22) | 33,858 | 43,687 |
| | 254,254 | 256,652 |

## 9 Financial assets at fair value through profit or loss

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Opening balance | 4,056,741 | 5,730,662 |
| Additions | 51 | - |
| Unrealised fair value losses (Note 23) | (766,598) | (1,666,688) |
| Disposals | (1,296) | (7,233) |
| Closing balance | 3,288,898 | 4,056,741 |

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

Financial assets at fair value through profit or loss account comprise equity securities listed on the stock exchange and are stated at fair value based on their quoted market price at the close of business on 31 December 2020.

## 10 Inventories

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Food | 7,792 | 10,438 |
| Beverages | 5,827 | 12,823 |
| Others | 4,488 | 6,235 |
| | 18,107 | 29,496 |

As at 31 December 2020, inventory includes the items of Bayti ("the restaurant) amounting to BD350 (2019: BD4,922).

## 11 Trade and other receivables

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Trade receivables | 14,511 | 44,247 |
| Other receivables | 4,219 | 16,678 |
| Prepayments | 15,239 | 37,446 |
| Staff advances | 1,600 | 984 |
| Deposits | 28,656 | 22,107 |
| | 64,225 | 121,462 |

## 11 Trade and other receivables (continued)

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

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

As at 31 December 2020, trade and other receivables relating to Bayti ("the restaurant) amounting to BD10,959 (2019: BD11,474).

In the opinion of the Company's management, the fair values of the trade and other receivables are not expected to be significantly different from their carrying values as at 31 December 2020.

## 12 Cash and cash equivalents

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Call account balance* | 79,602 | 87,550 |
| Current account balance** | 39,056 | 266,925 |
| Cash on hand | 1,600 | 1,800 |
| | 120,258 | 356,275 |

* The call account balances bear interest at an effective rate ranging from 0.15% to 1.25% (2019: 0.15% to 1.25%) per annum.

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

## 13 Share capital

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Authorised** | | |
| 200,000,000 (2019: 200,000,000) ordinary shares of 100 fils each | 20,000,000 | 20,000,000 |
| **Issued and fully paid-up** | | |
| 40,000,000 (2019: 40,000,000) ordinary shares of 100 fils each | 4,000,000 | 4,000,000 |

### Treasury shares

Treasury shares were acquired consistent with the Ministry of Industry and Commerce's approval to purchase up to 10% of the Company's issued and fully paid-up share capital. The nominal value of these shares has been disclosed as deduction from reserves. The difference between the nominal value of the acquired shares, and the purchase price, was credited to the capital reserve (Note 15).

## 13 Share capital (continued)

### Additional information on shareholding pattern

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

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| Major shareholders | Nationality | Number of shares | Percentage of shareholding interest | Number of shares | Percentage of shareholding Interest |
| Others | Various | 24,502,500 | 61.26% | 24,502,500 | 61.26% |
| Gulf Hotels Group B.S.C. | Bahraini | 10,100,000 | 25.25% | 10,100,000 | 25.25% |
| Directors | Bahraini | 1,397,500 | 3.49% | 1,397,500 | 3.49% |
| | | 36,000,000 | 90.00% | 36,000,000 | 90.00% |
| Treasury shares | | 4,000,000 | 10.00% | 4,000,000 | 10.00% |
| | | 40,000,000 | 100.00% | 40,000,000 | 100.00% |

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

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

| | Number of shares | | Number of Shareholders | | Percentage of total outstanding shares | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Directors | 1,397,500 | 1,397,500 | 4 | 4 | 3.49% | 3.49% |
| Less than 1% | 16,659,239 | 16,659,239 | 928 | 928 | 41.65% | 41.65% |
| 1% up to less than 10% | 7,843,261 | 7,843,261 | 11 | 11 | 19.61% | 19.61% |
| More than 20% | 10,100,000 | 10,100,000 | 1 | 1 | 25.25% | 25.25% |
| | 36,000,000 | 36,000,000 | 944 | 944 | 90% | 90% |
| Treasury shares | 4,000,000 | 4,000,000 | - | - | 10% | 10% |
| | 40,000,000 | 40,000,000 | 944 | 944 | 100% | 100% |

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

| | Number of shares | |
|---|---|---|
| | 2020 | 2019 |
| Abdul Latif Khalid Al Aujan | 1,000,000 | 1,000,000 |
| Adel Salman Kanoo | 192,500 | 192,500 |
| Bashar Mohammed Ali Alhassan | 100,000 | 100,000 |
| Sharif Mohammed Ahmadi | 105,000 | 105,000 |
| | 1,397,500 | 1,397,500 |

## 14 Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. During the year, the Company has incurred a loss, no transfer was made to the statutory reserve for the year ended 31 December 2020 (2019: BDNil). The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law.

## 15 Capital reserve

Capital reserve represents the excess of nominal value of the shares over its purchase price of the treasury shares acquired (Note 13).

## 16 Employees' terminal benefits

*Local employees*

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2020 amounted to BD3,605 (2019 BD3,285).

*Expatriate employees*

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Opening balance | 89,325 | 85,869 |
| Accruals for the year | 15,287 | 19,835 |
| Payments during the year | (36,443) | (16,379) |
| Closing balance | 68,169 | 89,325 |
| The number of staff employed by the Company | 45 | 95 |

## 17 Trade and other payables

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Trade payables | 100,473 | 58,926 |
| Amounts due to related parties (Note 27) | 10,835 | 5,148 |
| Unclaimed dividends | 140,358 | 160,036 |
| Accruals and other payables | 108,791 | 194,139 |
| Provision for leave salary and air passage | 25,066 | 44,865 |
| | 385,523 | 463,114 |

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

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

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

As at 31 December 2020, trade and other payable relating Bayti ("the restaurant) amounting to BD2,836 (2019: BD8,946).

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

| Relating to the year | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Before 2010 | 15,852 | 16,397 |
| 2010 | 10,696 | 10,718 |
| 2012 | 13,509 | 13,574 |
| 2016 | 47,322 | 52,944 |
| 2017 | 52,979 | 66,403 |
| | 140,358 | 160,036 |

## 18 Lease liabilities

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Opening balance | 796,835 | - |
| Additions | 35,772 | 1,000,732 |
| Lease termination | (131,061) | - |
| Lease adjustments | (127,582) | - |
| Rent concessions (Note 23) | (70,661) | - |
| Interest expenses | 23,740 | 40,360 |
| Lease payments | (175,868) | (244,257) |
| Closing balance | 351,175 | 796,835 |
| Less: current portion of lease liabilities | (115,457) | (235,931) |
| Non-current portion of lease liabilities | 235,718 | 560,904 |

Maturity analysis - contractual undiscounted cash flows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Less than one year | 129,944 | 267,088 |
| More than one year and less than five years | 126,200 | 534,352 |
| More than five years | 121,500 | 61,050 |
| Total undiscounted lease | 377,644 | 862,490 |

## 19 Operating income

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Food sales | 230,539 | 660,017 |
| Beverages sales | 178,213 | 651,997 |
| Services charges | 20,320 | 86,040 |
| | 429,072 | 1,398,054 |

## 20 Operating costs

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Staff costs | 206,276 | 318,563 |
| Food costs | 71,622 | 185,253 |
| Beverages costs | 52,884 | 210,963 |
| Depreciation of property, plant and equipment (Note 6) | 113,937 | 134,839 |
| Amortisation of right-of-use asset (Note 8) | 220,396 | 212,965 |
| Other operating costs | 137,637 | 195,056 |
| | 802,752 | 1,257,639 |

## 21 General and administrative expenses

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Staff costs | 62,464 | 75,743 |
| Other expenses | 40,077 | 43,737 |
| Amortisation of intangible assets (Note 7) | 3,482 | 3,475 |
| | 106,023 | 122,955 |

## 22 Discontinued operations

Board of Directors has decided in their Board meeting has decided held on 7 October 2020, to close the operations of Bayti ("the restaurant). The Company has effectively closed the operation on 16 October 2020. The results of the discontinued operations are as follows:

The statement of profit or loss and other comprehensive income of discontinued operations are as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Revenue | 16,558 | 71,605 |
| Cost of sales | (68,352) | (141,227) |
| General and administrative expenses | (51,769) | (32,760) |
| | (103,563) | (102,382) |

The statement of cash flow of discontinued operations are as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Operating activities | 5,740 | (22,590) |
| Investing activities | - | (8,282) |
| Financing activities | (18,743) | (44,984) |
| | (13,003) | (75,856) |

## 23 Losses on investment and other income

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Unrealised fair value loss on financial assets at fair value through profit or loss (Note 9) | (766,598) | (1,666,688) |
| Dividend income | 143,007 | 286,508 |
| Rent concessions (Note 18) | 70,661 | - |
| Gain on lease termination and modification | 33,147 | - |
| Liability no longer payable written-off | 5,699 | - |
| Interest income | 3,347 | 4,921 |
| Gain on sale of property, plant and equipment | - | 213 |
| Miscellaneous income | 1,662 | 1,904 |
| | (509,075) | (1,373,142) |

## 24 Basic and diluted loss per share

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

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Net loss attributable to the shareholders | (1,149,200) | (1,600,274) |
| Weighted average number of ordinary shares | 36,000,000 | 36,000,000 |
| Basic and diluted loss per share | Fils (31.92) | Fils (44.45) |

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

## 25 Dividend

***Declared and paid***

No dividend was paid to the shareholders during the year (2019: BDNil).

***Proposed by the Board of Directors***

The Board of Directors do not propose to pay any further dividends to the shareholders for the year ended 31 December 2020 (2019: BDNil). This is subject to the approval of shareholders in the annual general meeting.

## 26 Commitments and contingent liabilities

At 31 December 2020, there were no contingent liabilities and commitments arising during the course of business.

## 27 Transactions and balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the major shareholders, directors, key management personnel and their close family members and such other companies over which the Company or its major shareholders, directors, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorised by the management and are on arm's length basis.

Transactions with related parties are as follows:

| Related party | Related party relationship | Type of transaction | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|---|---|
| Directors | Directors | Attendance fees for attending Board meetings | 28,150 | 43,300 |
| Key management personnel* | Key management personnel | Salaries and other short-term benefits | 42,816 | 59,104 |
| Gulf Hotel Group | Shareholder | AGM meeting hall rent etc. | 947 | 1,229 |
| | | Staff expenses | 1,818 | 1,255 |
| Abdul Latif Al Aujan Food International | Common Shareholder | Purchase of food items | 4,815 | 14,816 |
| Bahrain Gas W.L.L. | Common Shareholder | Purchase of cooking gas | 2,643 | 4,675 |
| | | Purchase of kitchen equipment | - | 9,258 |

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

A summary of related party balances is as follows:

| | Related party relationship | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| ***Amounts due to related parties (Note 17)*** | | | |
| Gulf Hotels Group B.S.C. | Shareholder | 1,843 | - |
| Abdul Latif Al Aujan Food International | Common Shareholder | 604 | 4,356 |
| Bahrain Gas W.L.L. | Common Shareholder | 1,288 | 792 |
| Directors sittings fee payable | Directors | 7,100 | - |
| | | 10,835 | 5,148 |

## 28 Segmental information

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

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

## 29 Financial assets and liabilities and risk management

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

### Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2020 and 2019.

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Lease liability | 351,175 | 796,835 |
| Trade and other payables | 385,523 | 463,114 |
| Less: Cash and cash equivalents | (120,258) | (356,275) |
| Net debt | 616,440 | 903,674 |
| Total capital | 3,247,728 | 4,396,928 |
| Capital and net debt | 3,864,168 | 5,300,602 |
| Gearing ratio | 15.95% | 17.05% |

**Risk management** is carried out by the Board of Directors, which has overall responsibility for the Company and oversight of the Company's risk management framework and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

## 29 Financial assets and liabilities and risk management (continued)

**Credit risk** is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables. For banks and financial institutions only independent related parties with a minimum rating of 'A' are accepted. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial. The risk management policy relating to trade and other receivables is provided in Note 11.

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

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

**Currency rate risk** is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's foreign currency transactions are predominantly in United States Dollars which is effectively pegged to the Bahrain Dinars. Accordingly, the management does not consider the Company to have a significant currency rate risk.

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

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

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

| Description | Change | Impact on profits |
|---|---|---|
| Financial assets at fair value through profit or loss | +/-5% | +/- 164,445 |
| Financial assets at fair value through profit or loss | +/-10% | +/- 328,890 |

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

Financial instruments not measured at fair value on recurring basis include trade and other receivables, cash and cash equivalents and trade and other payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2020.

## 29 Financial assets and liabilities and risk management (continued)

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

| | Fair value at 31 December 2020 | Level of hierarchy | Valuation technique used and key inputs | Significant unobservable inputs | Inter-relationship between unobservable inputs and fair value |
|---|---|---|---|---|---|
| *Financial assets* | | | | | |
| Quoted: Fair value through profit or loss | 3,288,898 (2019: 4,056,741) | L1 | Quoted prices from stock exchanges | Not applicable | Not applicable |

There were no transfers between levels during the years 2020 and 2019.

## 30 Subsequent events

The World Health Organisation (WHO) had declared the outbreak of a novel coronavirus - Covid19 as a pandemic during the previous year and as of date, the virus continues to spread globally. This outbreak has made many countries to take several restrictive measures such as limiting travelling, limiting operational hours and implementing lockdowns to control the spread. This has caused disruption across several commercial activities, impacted several industries and investments in the bonds and equities during the year ended 31 December 2020.

Even subsequent to the year end till this point in time, the COVID19 related restrictions continue to have impact in the geographical location in which the Company operates. The extent of the disruption on the Company's operation is uncertain and is difficult to estimate. Management is actively assessing the situation and will take necessary mitigating action to minimise the impact on Company's operation, financial position and liquidity in the fiscal year 2021.

Other than the above, there were no significant events subsequent to 31 December 2020 and occurring before the date of the report that are expected to have a significant impact on these financial statements.