

**BMMI B.S.C.**

**REPORT OF THE BOARD OF DIRECTORS,  
INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

## **BMMI Group Chairman's Statement**

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 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 BMMI has achieved an excellent net profit of BD 4 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 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.



Abdulla Hassan Buhindi  
Chairman



Ernst & Young - Middle East  
P.O. Box 140  
10<sup>th</sup> Floor, East Tower  
Bahrain World Trade Centre  
Manama  
Kingdom of Bahrain

Tel: +973 1753 5455  
Fax: +973 1753 5405  
manama@bh.ey.com  
C.R. No. 29977-1

## 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)*

<b>1. Impairment of property, plant and equipment of Banader Hotels Company B.S.C.</b>	
Refer to notes 4 and 6 to the consolidated financial statements.	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>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.</p> <p>The management involved independent accredited independent external valuation expert to assess the recoverable amount based on fair value less costs to sell.</p> <p>The impairment assessment involves number of significant assumptions, judgements and estimates, therefore, we considered this area as a key audit matter.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>- Evaluating the accredited independent external valuation expert's competence, capabilities and objectivity;</li> <li>- Assessing the appropriateness of the valuation methodologies used by the accredited independent external valuation expert;</li> <li>- Corroborating the key inputs used in the valuation with independently available information;</li> <li>- Checking the arithmetical accuracy of the calculation used in the valuation; and</li> <li>- Evaluating the adequacy of disclosures in the consolidated financial statements.</li> </ul>
<b>2. Provision for slow moving and obsolete inventories</b>	
Refer to notes 4 and 12 to the consolidated financial statements.	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>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.</p> <p>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.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>- Observing physical inventory counts at major locations;</li> <li>- Performing detailed testing of a sample of items to assess the cost basis and net realisable value of inventory;</li> <li>- 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;</li> <li>- Evaluating the adequacy of provision for slow moving and obsolete inventories as at 31 December 2020; and</li> <li>- Evaluating the adequacy of disclosures in the consolidated financial statements.</li> </ul>



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

### **Report on the Audit of the Consolidated Financial Statements (continued)**

#### *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 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.



## **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)*

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.
- 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.



## **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)*

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
- 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.

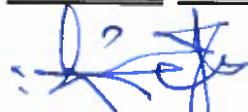
The partner in charge of the audit resulting in this independent auditor's report is Kazim Merchant.

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 BD	2019 BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
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
		<b>74,084,808</b>	<b>78,052,432</b>
<b>Current assets</b>			
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
		<b>39,659,279</b>	<b>40,303,404</b>
<b>TOTAL ASSETS</b>		<b>113,744,087</b>	<b>118,355,836</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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
<b>Equity attributable to shareholders of BMMI B.S.C.</b>		<b>67,976,469</b>	<b>69,610,763</b>
Non-controlling interests	31	285,195	1,705,939
<b>Total equity</b>		<b>68,261,664</b>	<b>71,316,702</b>
<b>Non-current liabilities</b>			
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
		<b>22,802,094</b>	<b>23,220,108</b>
<b>Current liabilities</b>			
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
		<b>22,680,329</b>	<b>23,819,026</b>
<b>Total liabilities</b>		<b>45,482,423</b>	<b>47,039,134</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>113,744,087</b>	<b>118,355,836</b>

  
Abdulla Hassan Buhindi  
Chairman  
Shawki Fakhroo  
Vice Chairman

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2020

	Notes	2020 BD	2019 BD
Revenue	23	96,410,423	104,333,781
Costs of revenue		(75,474,234)	(73,371,755)
<b>GROSS PROFIT</b>		<b>20,936,189</b>	<b>30,962,026</b>
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)
<b>PROFIT FROM OPERATIONS</b>		<b>3,754,036</b>	<b>9,173,233</b>
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)
<b>PROFIT BEFORE INCOME TAX</b>		<b>2,790,291</b>	<b>7,762,878</b>
Income tax expense	27	(182,949)	(84,532)
<b>PROFIT OF THE GROUP FOR THE YEAR</b>	24	<b>2,607,342</b>	<b>7,678,346</b>
of which loss attributable to non-controlling interests		1,420,744	1,556,110
<b>PROFIT OF THE GROUP FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF BMMI B.S.C.</b>		<b>4,028,086</b>	<b>9,234,456</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (FILS)</b>	28	<b>28</b>	<b>65</b>

  
Abdulla Hassan Buhindi  
Chairman  
Shawki Fakhroo  
Vice Chairman

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2020

	2020 BD	2019 BD
<b>PROFIT OF THE GROUP FOR THE YEAR</b>	<b>2,607,342</b>	<b>7,678,346</b>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
<i>Items not to be reclassified to the consolidated statement of income in subsequent years:</i>		
- Net changes in fair value of investments classified as fair value through other comprehensive income (note 10)	(809,215)	838,572
<i>Items to be reclassified to the consolidated statement of income in subsequent years:</i>		
- 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
<b>OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>	<b>(1,206,693)</b>	<b>1,404,192</b>
<b>TOTAL COMPREHENSIVE INCOME OF THE GROUP FOR THE YEAR</b>	<b>1,400,649</b>	<b>9,082,538</b>
of which loss attributable to non-controlling interests	1,420,744	1,556,110
<b>TOTAL COMPREHENSIVE INCOME OF THE GROUP FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF BMMI B.S.C.</b>	<b>2,821,393</b>	<b>10,638,648</b>

  
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Abdulla Hassan Buhindi  
Chairman  
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Shawki Fakhroo  
Vice Chairman

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2020

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

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2020

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

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

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

BMMI B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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			
		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)
<b>Balance at 31 December 2020</b>		<b>14,642,854</b>	<b>(1,430,101)</b>	<b>12,452,523</b>	<b>42,311,193</b>	<b>67,976,469</b>	<b>285,195</b>	<b>68,261,664</b>

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

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

BMMI B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Equity attributable to shareholders of BMMI B.S.C.				Total BD	Non-controlling interests BD	Total equity BD
		Share capital BD	Treasury shares BD	Other reserves (note 18) BD	Retained earnings 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.

The attached notes 1 to 35 form an integral part of these 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:

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

BMMI International Holding W.L.L. has the following subsidiaries at the reporting date:

Global Sourcing and Supply East Holding W.L.L.	<b>100%</b>	100%	Kingdom of Bahrain	Holding company for a group of commercial, industrial or service companies.
Global Sourcing and Supply South Holding W.L.L.	<b>100%</b>	100%	Kingdom of Bahrain	Holding company for a group of commercial, industrial or service companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

## 1 CORPORATE INFORMATION AND ACTIVITIES (continued)

<i>Names of subsidiaries</i>	<i>Ownership interest</i>		<i>Country of incorporation</i>	<i>Principal activities</i>
	<i>2020</i>	<i>2019</i>		
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:

<i>Name of joint ventures</i>	<i>Ownership interest</i>		<i>Country of incorporation</i>	<i>Principal activities</i>
	<i>2020</i>	<i>2019</i>		
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.

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.

### **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.

As at 31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of consolidation (continued)**

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 loses 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.

#### **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.

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 recognised 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.

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.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

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.

As at 31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

**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.

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.

As at 31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investment properties (continued)**

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.

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.

As at 31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Current versus non-current classification (continued)

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.

#### 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.

**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.

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.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Financial assets (continued)**

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

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.

**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.

As at 31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### Financial assets (continued)

##### Impairment of financial assets (continued)

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.

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.

##### 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.

As at 31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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.

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.

As at 31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Fair value measurement (continued)**

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.

#### **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.

#### *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.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue from contracts with customers (continued)*****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.

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.

As at 31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****Taxation***Current income tax (continued)*

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.

**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.

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.

As at 31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

### 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.

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.

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Judgements (continued)***Determining method to estimate variable consideration and assessing the constraint (continued)*

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.

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.

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

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.

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*

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.

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.

*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.

As at 31 December 2020

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimates (continued)***Provision for slow moving and obsolete inventories (continued)*

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.

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.

**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 countries 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).

**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.

As at 31 December 2020

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

*Amendments to IFRS 3: Reference to the Conceptual Framework (continued)*

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.

*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.

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.

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

As at 31 December 2020

**6 PROPERTY, PLANT AND EQUIPMENT**

	<i>Freehold land BD</i>	<i>Buildings BD</i>	<i>Plant and equipment BD</i>	<i>Motor vehicles BD</i>	<i>Capital work- in-progress BD</i>	<i>Total BD</i>
<b>Cost:</b>						
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)
<b>At 31 December 2020</b>	<b>7,015,104</b>	<b>51,555,972</b>	<b>17,331,350</b>	<b>2,275,150</b>	<b>703,672</b>	<b>78,881,248</b>
<b>Accumulated depreciation:</b>						
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)
<b>At 31 December 2020</b>	<b>-</b>	<b>11,303,152</b>	<b>14,441,851</b>	<b>1,973,687</b>	<b>-</b>	<b>27,718,690</b>
<b>Net carrying values:</b>						
<b>At 31 December 2020</b>	<b>7,015,104</b>	<b>40,252,820</b>	<b>2,889,499</b>	<b>301,463</b>	<b>703,672</b>	<b>51,162,558</b>
	<i>Freehold land BD</i>	<i>Buildings BD</i>	<i>Plant and equipment BD</i>	<i>Motor vehicles BD</i>	<i>Capital work- in-progress BD</i>	<i>Total BD</i>
<b>Cost:</b>						
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)
<b>At 31 December 2019</b>	<b>7,015,104</b>	<b>47,263,988</b>	<b>16,184,142</b>	<b>2,112,846</b>	<b>265,417</b>	<b>72,841,497</b>
<b>Accumulated depreciation:</b>						
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)
<b>At 31 December 2019</b>	<b>-</b>	<b>9,962,508</b>	<b>12,462,739</b>	<b>1,877,665</b>	<b>-</b>	<b>24,302,912</b>
<b>Net carrying values:</b>						
<b>At 31 December 2019</b>	<b>7,015,104</b>	<b>37,301,480</b>	<b>3,721,403</b>	<b>235,181</b>	<b>265,417</b>	<b>48,538,585</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

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

**7 RIGHT-OF-USE ASSETS**

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

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

	<b>Buildings</b> <b>BD</b>	<b>Motor</b> <b>vehicles</b> <b>BD</b>	<b>Land</b> <b>BD</b>	<b>Total</b> <b>BD</b>
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	<b>(1,400,286)</b>	<b>(278,508)</b>	<b>(15,201)</b>	<b>(1,693,995)</b>
At 31 December 2019	<b>7,248,997</b>	<b>510,598</b>	<b>19,002</b>	<b>7,778,597</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

	<b>2020</b>	2019
	<b>BD</b>	BD
Rental income derived from the investment property	<b>613,863</b>	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:

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**9 INVESTMENTS IN JOINT VENTURES (continued)**

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

**10 INVESTMENTS**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

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

**Liabilities measured at fair value:**

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

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

**Liabilities measured at fair value:**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**11 FAIR VALUE HIERARCHY (continued)**

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.

**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:

	<i>Non-financial assets - investment property BD</i>	<i>Financial assets - unquoted investments BD</i>	<i>Total BD</i>
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)
<b>At 31 December 2020</b>	<b>9,457,725</b>	<b>2,555,387</b>	<b>12,013,112</b>
	<i>Non-financial assets - investment property BD</i>	<i>Financial assets - unquoted investments BD</i>	<i>Total BD</i>
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**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**12 INVENTORIES (continued)**

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

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

**13 TRADE AND OTHER RECEIVABLES**

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

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:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**13 TRADE AND OTHER RECEIVABLES (continued)**

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

	<i>Total BD</i>	<i>Current BD</i>	<i>Past due</i>			
			<i>Less than 30 days BD</i>	<i>30 to 90 days BD</i>	<i>91 to 120 days BD</i>	<i>More than 120 days BD</i>
<i>2020</i>						
Gross trade receivables	<b>11,908,073</b>	<b>3,424,360</b>	<b>2,845,940</b>	<b>2,570,782</b>	<b>535,434</b>	<b>2,531,557</b>
Expected credit loss	<b>(2,261,072)</b>	<b>(61,089)</b>	<b>(53,161)</b>	<b>(85,954)</b>	<b>(99,673)</b>	<b>(1,961,195)</b>
Net trade receivables	<b>9,647,001</b>	<b>3,363,271</b>	<b>2,792,779</b>	<b>2,484,828</b>	<b>435,761</b>	<b>570,362</b>
<i>2019</i>						
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

**14 CASH AND CASH EQUIVALENTS**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**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.

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

**17 DIVIDENDS, OTHER APPROPRIATIONS AND DIRECTORS' REMUNERATION**

The Board of Directors has proposed a 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.

BMMI B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

18 OTHER RESERVES

	<i>Statutory reserve BD</i>	<i>Share premium BD</i>	<i>Investment revaluation reserve BD</i>	<i>Charity reserve BD</i>	<i>General reserve BD</i>	<i>Foreign currency translation reserve BD</i>	<i>Total BD</i>
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)
<b>At 31 December 2020</b>	<b>7,321,427</b>	<b>1,012,860</b>	<b>71,551</b>	<b>-</b>	<b>7,000,000</b>	<b>(2,953,315)</b>	<b>12,452,523</b>

	<i>Statutory reserve BD</i>	<i>Share premium BD</i>	<i>Investment revaluation reserve BD</i>	<i>Charity reserve BD</i>	<i>General reserve BD</i>	<i>Foreign currency translation reserve BD</i>	<i>Total BD</i>
At 1 January 2019	7,321,427	1,012,860	1,465,215	-	7,000,000	(3,121,457)	13,678,045
Other comprehensive income	-	-	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

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.

**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**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**19 LOANS AND BORROWINGS (continued)**

- (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.
- (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:

	<b>2020</b>	<b>2019</b>
	<b>BD</b>	<b>BD</b>
At 1 January	<b>7,492,447</b>	6,006,777
Remeasurement of lease liabilities	<b>288,233</b>	1,128,575
New leases executed	<b>496,097</b>	2,337,240
Termination of leases	<b>(43,966)</b>	-
Accretion of interest	<b>364,237</b>	394,713
Payments	<b>(1,858,894)</b>	(2,374,858)
At 31 December	<b>6,738,154</b>	7,492,447
	<b>2020</b>	<b>2019</b>
	<b>BD</b>	<b>BD</b>
Non-current	<b>5,274,324</b>	6,408,530
Current	<b>1,463,830</b>	1,083,917
	<b>6,738,154</b>	7,492,447

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**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:

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

**22 TRADE AND OTHER PAYABLES**

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

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.

	<i>Contract services and supply</i>		<i>Wholesales operations</i>		<i>Retail operations</i>		<i>Hospitality</i>		<i>Investment, Shipping and other activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
<b><i>Types of revenue</i></b>												
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
<b><i>Geographical markets</i></b>												
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
<b><i>Timing of revenue recognition</i></b>												
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

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:

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

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

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

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

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

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

**25 OTHER OPERATING INCOME**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**26 NET INVESTMENT INCOME**

	<b>2020</b>	<b>2019</b>
	<b>BD</b>	<b>BD</b>
Dividend income	<b>327,423</b>	545,795
Interest income on investments held at FVTPL	<b>73,779</b>	117,878
Interest income	<b>29,000</b>	59,314
	<b>430,202</b>	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:

	<b>2020</b>	<b>2019</b>
	<b>BD</b>	<b>BD</b>
Current income tax expense	<b>182,949</b>	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.

**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:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**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:

	<b>2020</b>		<b>2019</b>	
	<b>Revenue BD</b>	<b>Expenses BD</b>	<b>Revenue BD</b>	<b>Expenses BD</b>
Other related parties	<b>61,428</b>	<b>1,478,536</b>	75,854	1,677,752

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

	<b>As of 31 December 2020</b>		
	<b>Trade receivables BD</b>	<b>Due from BD</b>	<b>Trade and other payables BD</b>
Joint ventures	-	<b>355,923</b>	-
Other related parties	<b>6,999</b>	-	<b>108,893</b>
	<b>6,999</b>	<b>355,923</b>	<b>108,893</b>
	<b>As of 31 December 2019</b>		
	<b>Trade receivables BD</b>	<b>Due from BD</b>	<b>Trade and other payables BD</b>
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:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**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:

	<i>Country of incorporation</i>	<b>2020</b>	<i>2019</i>
<i>Ownership interest held by non-controlling interests</i>	Kingdom of	<b>46.09%</b>	46.09%
Banader Hotels Company B.S.C. ("Banader")	Bahrain		
		<b>2020</b>	<i>2019</i>
		<b>BD</b>	<b>BD</b>
Accumulated balances of material non-controlling interests		<b>291,321</b>	1,687,861
Loss allocated to material non-controlling interests		<b>(1,407,831)</b>	(1,569,555)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

**31 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)**

	<b>2020</b>	<b>2019</b>
	<b>BD</b>	<b>BD</b>
<b>Summarised statement of comprehensive income:</b>		
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)
<b>Loss for the year and total comprehensive loss</b>	<b>(3,054,527)</b>	<b>(3,405,413)</b>
<b>Attributable to non-controlling interests</b>	<b>(1,407,831)</b>	<b>(1,569,555)</b>
	<b>2020</b>	<b>2019</b>
	<b>BD</b>	<b>BD</b>
<b>Summarised statement of cash flows information:</b>		
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)
<b>Net decrease in cash and cash equivalents</b>	<b>(112,266)</b>	<b>(533,555)</b>

**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

As at 31 December 2020

**32 OPERATING SEGMENTS (continued)****Geographic information**

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

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

BMMI B.S.C.

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32 OPERATING SEGMENTS (continued)

	<i>Contract services and supply</i>		<i>Wholesale operations</i>		<i>Retail operations</i>		<i>Hospitality</i>		<i>Investment, Shipping and other activities</i>		<i>Adjustments and eliminations</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
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)	-	-
<b>Total revenue</b>	<b>13,719,770</b>	<b>13,935,965</b>	<b>40,588,356</b>	<b>48,426,765</b>	<b>38,586,340</b>	<b>36,719,099</b>	<b>1,854,962</b>	<b>5,043,084</b>	<b>8,112,513</b>	<b>9,266,718</b>	<b>(6,451,518)</b>	<b>(9,057,850)</b>	<b>96,410,423</b>	<b>104,333,781</b>
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)
<b>Gross profit</b>	<b>1,356,381</b>	<b>3,770,936</b>	<b>6,232,067</b>	<b>10,528,818</b>	<b>11,522,806</b>	<b>12,826,130</b>	<b>857,603</b>	<b>2,982,908</b>	<b>971,404</b>	<b>859,749</b>	<b>(4,072)</b>	<b>(6,515)</b>	<b>20,936,189</b>	<b>30,962,026</b>
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)
<b>(Loss) profit for the year</b>	<b>45,390</b>	<b>570,217</b>	<b>302,834</b>	<b>4,172,561</b>	<b>6,012,803</b>	<b>6,848,257</b>	<b>(3,314,494)</b>	<b>(3,480,601)</b>	<b>(439,191)</b>	<b>(432,088)</b>	<b>-</b>	<b>-</b>	<b>2,607,342</b>	<b>7,678,346</b>
Of which loss attributable to non-controlling interests	-	-	-	-	-	-	1,420,744	1,556,110	-	-	-	-	1,420,744	1,556,110
<b>(Loss) profit attributable to shareholders of BMMI B.S.C.</b>	<b>45,390</b>	<b>570,217</b>	<b>302,834</b>	<b>4,172,561</b>	<b>6,012,803</b>	<b>6,848,257</b>	<b>(1,893,750)</b>	<b>(1,924,491)</b>	<b>(439,191)</b>	<b>(432,088)</b>	<b>-</b>	<b>-</b>	<b>4,028,086</b>	<b>9,234,456</b>
<b>Capital expenditure</b>	<b>150,587</b>	<b>316,117</b>	<b>-</b>	<b>-</b>	<b>667,404</b>	<b>201,793</b>	<b>23,309</b>	<b>118,029</b>	<b>518,701</b>	<b>625,888</b>	<b>-</b>	<b>-</b>	<b>1,360,001</b>	<b>1,261,827</b>
<b>Operating assets</b>	<b>10,389,390</b>	<b>11,002,171</b>	<b>16,926,607</b>	<b>19,373,489</b>	<b>6,737,676</b>	<b>11,855,585</b>	<b>34,352,339</b>	<b>38,948,777</b>	<b>68,353,282</b>	<b>63,288,291</b>	<b>(23,015,207)</b>	<b>(26,112,477)</b>	<b>113,744,087</b>	<b>118,355,836</b>
<b>Operating liabilities</b>	<b>4,497,833</b>	<b>4,822,755</b>	<b>4,386,303</b>	<b>6,700,946</b>	<b>4,612,882</b>	<b>7,219,080</b>	<b>17,986,856</b>	<b>34,202,486</b>	<b>15,035,217</b>	<b>12,231,532</b>	<b>(1,036,668)</b>	<b>(18,137,665)</b>	<b>45,482,423</b>	<b>47,039,134</b>

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

**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).

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

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

**33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Market risk (continued)***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.

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

*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:

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

*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.

**33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Market risk (continued)***Foreign currency risk (continued)*

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

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
<i>Change in foreign exchange rates</i>	+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.

*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.

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**33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)***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:

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

*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.

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

<b>31 December 2020</b>	<b>Investments in debt instruments BD</b>	<b>Trade and other receivables BD</b>	<b>Bank balances BD</b>
<b>Geographic regions</b>			
Bahrain	-	11,676,009	3,310,847
Other GCC and Arab countries	-	154,465	175,272
African countries	-	3,769,411	991,159
	-	<b>15,599,885</b>	<b>4,477,278</b>
<b>31 December 2019</b>			
<b>Geographic regions</b>			
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
<b>31 December 2020</b>			
<b>Industry sectors</b>			
Banking	-	-	4,477,278
Trading	-	15,599,885	-
<b>Total</b>	-	<b>15,599,885</b>	<b>4,477,278</b>

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**33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)***Credit risk concentrations (continued)*

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

**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.

<i>31 December 2020</i>	<i>On demand BD</i>	<i>Less than 3 months BD</i>	<i>3 to 12 months BD</i>	<i>More than 5 years BD</i>	<i>Total BD</i>
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
	<b>3,514,849</b>	<b>13,519,938</b>	<b>4,894,685</b>	<b>25,697,255</b>	<b>47,626,727</b>

<i>31 December 2019</i>	<i>On demand BD</i>	<i>Less than 3 months BD</i>	<i>3 to 12 months BD</i>	<i>1 to 5 years BD</i>	<i>Total BD</i>
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
	<b>4,272,372</b>	<b>14,363,144</b>	<b>4,451,001</b>	<b>26,486,873</b>	<b>49,573,390</b>

**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.

**33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Changes in liabilities arising from financing activities**

	<i>As at</i> <b>1 January</b> <i>2020</i> <i>BD</i>	<i>Cash flows</i>		<i>Others</i> <i>BD</i>	<i>As at</i> <b>31 December</b> <i>2020</i> <i>BD</i>
		<i>Receipts</i> <i>BD</i>	<i>Payments</i> <i>BD</i>		
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
	<b>30,775,204</b>	<b>10,083,468</b>	<b>(17,660,594)</b>	<b>7,535,328</b>	<b>30,733,406</b>

	<i>As at</i> <b>1 January</b> <i>2019</i> <i>BD</i>	<i>Cash flows</i>		<i>Others</i> <i>BD</i>	<i>As at</i> <b>31 December</b> <i>2019</i> <i>BD</i>
		<i>Receipts</i> <i>BD</i>	<i>Payments</i> <i>BD</i>		
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
	<b>30,826,727</b>	<b>10,740,750</b>	<b>(21,376,125)</b>	<b>10,583,852</b>	<b>30,775,204</b>

**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.

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.