



السوق الحرة البحرين
B A H R A I N
DUTY FREE



Annual Report
2019



**His Royal Highness
Prince Khalifa Bin Salman
Al Khalifa**
*The Prime Minister
of the Kingdom of Bahrain*



**His Majesty
King Hamad Bin Isa
Al Khalifa**
*The King
of the Kingdom of Bahrain*



**His Royal Highness
Prince Salman Bin Hamad
Al Khalifa**
*The Crown Prince,
Deputy Supreme Commander and
First Deputy Prime Minister
of the Kingdom of Bahrain*





CONTENTS

Board of Directors	4 - 5
Chairman's Report	6 - 7
The Management	10 - 11
Corporate Governance	12 - 23
Independent Auditors' Report to the Shareholders	25 - 27

FINANCIAL STATEMENTS

Statement of Financial Position	28
Statement of Profit or Loss	29
Statement of Comprehensive Income	29
Statement of Changes in Equity	30 - 31
Statement of Cash Flows	32
Notes to the Financial Statements	34 - 55



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AUDITORS : KPMG Fakhro

REGISTRARS : Bahrain Clear

BOARD SECRETARY : Sadeq Ismaeel Abdulaziz

BANKERS : Ahli United Bank
Al Salam Bank
Arab Bank
Bank of Bahrain and Kuwait
Kuwait Finance House
National Bank of Bahrain
National Bank of Kuwait - Bahrain

CUSTODIANS : SICO
P.O. Box 1331, Manama,
Kingdom of Bahrain

BOARD OF DIRECTORS



Farouk Yousuf Almoayyed
Chairman

Abdulla Buhindi
Managing Director

The Board of Directors provides the leadership and strategies that direct the on-going activities of the Company in the realisation of its objectives. The primary responsibility of the Board is to provide effective governance over the affairs of Bahrain Duty Free for the benefit of its shareholders and to balance the interests of its customers, employees, suppliers, local communities and all other correspondents. In all actions taken by the Board, the directors are expected to exercise sound business judgement in the best interests of the Company. In discharging its obligations, directors may rely on the honesty and professional integrity of the management of the Company, outside advisors and auditors.



**Shaikh Mohammed Bin Ali
Bin Mohammed Al Khalifa**
Director



Abdulrahman Jamsheer
Director



Mohammed Al Khan
Director



Jawad Al Hawaj
Director



Nabeel Al Zain
Director



Jehad Yousif Amin
Director



Jalal Mohammed Jalal
Director



Jassim Mohammed Al Shaikh
Director



Ghassan Al Sabbagh
Director

CHAIRMAN'S REPORT



On behalf of the board of directors of Bahrain Duty Free, I am pleased to present the Company's annual report and financial statements for the year end December 31, 2019.

I am also pleased to report that Bahrain Duty Free achieved resilient financial results marked by yet another strong performance where our net income reached BD 7.5 million.

FINANCIAL PERFORMANCE

Operating Results

For the full year 2019, the Company reported Gross Revenues of BD 37.6 million representing a growth of 3.3%. Gross Profits climbed to BD 18.6 million giving an increase of 5.0% compared to the previous year. Operating expenses totalled BD13.9 million and increased by 3.3% during the year. Within Operating Expense the main driver was Royalty with a growth of BD 305k or 5.1% in the year. Operating profits in 2019 were BD 6.4 million, a growth of 5.2% year on year.

Investment Results

Income from all Investment related activities for the year was BD 1.1 million down by 21.0% compared to prior year. The decrease is attributable to a reduction in dividend income of BD 281k from our unquoted equity investments and also an impairment charge of BD 616k taken on our Investment Properties due to changes in the Real Estate sector. Dividends from Equity held securities was flat on last year at BD 1.1m in 2019. Property Rental income was BD 150k down 25% on last year and bank interest of BD 78k down 64.9% as less cash available for deposit due to other investments and commitments. Our investment portfolio now totals BD 44.8 million compared to BD 42.7 million last year, a growth of 5.0% during the year. This growth coming mainly from new Investments BD 2.6 million, Equity Securities sales of BD 1.0 million and fair value positive adjustments BD 1.4M less Property impairments of BD 0.6 million. The portfolio remains very strong and well balanced.

Combined Financial Results

Total net profits of BD 7.5 million increased by 0.4% on prior year. Earnings per share is 53 fils compared with 53 fils for 2018. At December



year end, total Assets were BD 62.0 million while our total shareholder's equity stood at BD 52.9 million, an increase of 3.3% compared to prior year.

OPERATION HIGHLIGHTS

2019 maintained the trend witnessed in previous years in terms of performance levels. A number of new brands were introduced to our range in advance of the new Airport terminal opening in 2020. These included Victoria's Secret, Bath & Body works and a number of key fashion brands becoming part of the Bahrain Duty Free portfolio during the year.

A number of new initiatives were implemented in order to ensure that performance levels were optimised. Some of these initiatives included an updating of the On-Shelf Availability tool; which saw the retail team check in excess of 32,000 items over the course of the year in order to ensure that all were available to our customers.

Ensuring our customers continued to receive the highest service levels possible remained central to our strategy, and this was achieved through a number of advanced selling Skill training sessions aimed at refreshing our team of sales professionals in this area. This resulted in an increase being achieved in the Customer Satisfaction Survey for the year, based on speaking to in excess of 4,000 customers.

PROPOSED APPROPRIATIONS

Based on the financial results, the Board of Directors has recommended for the approval of Shareholders at the upcoming Annual General Meeting, a full year cash dividend of 50 fils per share of which 20 fils per share was paid during the year. The Board has also recommended Charity Contribution of 2% of net profit.

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

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

THANK YOU TO OUR SHAREHOLDERS, STAKEHOLDERS, TEAMS AND CUSTOMERS

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

BAHRAIN INTERNATIONAL AIRPORT NEW TERMINAL

As we enter into 2020 and move closer to the opening of the new Airport Terminal, our project team is working hard to ensure our state of readiness. As our shops and the new Airport Project progresses, we are excited to see the opening of a world class Airport. The new terminal, is one of the largest individual projects undertaken within the Kingdom of Bahrain and we are delighted to be a part of it. We are also committed to continue to seek out other opportunities that are in line with our vision to enable us to pursue our growth and success in the years to come.

Farouk Yousuf Almoayyed
Chairman

10 February 2020





MANAGEMENT



Bassam Al Wardi
General Manager



Dominic Carroll
Head of Finance



Richard Wilkinson
Head of Purchasing



Shibu Abraham
Head of IT & Logistics



Sujat Ameen
Head of Business Support



Sadeq Ismaeel Abdulaziz
Senior Category Manager/ Board Secretary



Hisham Al Saloom
Deputy Head of Operations



Mahmood Al Shehab
Finance Manager



Parvez Mushtaq
Shop Floor Manager



Peer Mohammed
Logistics Manager

CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE POLICY

Good Corporate Governance practices are significant in creating and sustaining shareholder value and ensuring appropriate disclosure and transparency. Bahrain Duty Free Shop Complex B.S.C.'s ('the Company') Corporate Governance Policy provides the framework for the principles of effective Corporate Governance standards across the Company.

The Board of Directors (the Board) is committed to implementing robust Corporate Governance practices and continuous review and adherence to strong corporate governance practices to help enhance compliance levels according to international standards and best practice.

Bahrain Duty Free Shop Complex B.S.C. shall continue its endeavor to enhance shareholders value, protect their interests and defend their rights by practicing the pursuit of excellence in corporate life. The Company shall continuously strive to best serve the interests of its stakeholders including shareholders, customers, employees and the public at large.

The management is committed to implement procedures and processes to reflect and support the Board approved Corporate Governance framework to ensure the highest standards of Corporate Governance throughout the Company.

2. CORPORATE GOVERNANCE DEVELOPMENTS DURING THE YEAR

There were no particular developments during the year 2019.

3. SHAREHOLDER INFORMATION

The existing share structure of the Company consists of ordinary shares only and there are no different classes of ordinary shares. As at 31 December 2019, the Company had issued 142,271,938 ordinary shares, each with a nominal value of 100 fils per share. All shares are fully paid. Shareholders are invited by the Chairman to attend the AGM. The Chairman and other Directors attend the AGM and are available to answer any questions. The Annual General Ordinary and Extraordinary Meetings were held on 26 March 2019. This year's Annual General Meeting will be held on 24 March 2020.

a. Major shareholders of the Company as on 31 December 2019 are as follows:

Name of Shareholder	Number of Shares	% of Holdings	Name of the natural person, the final beneficiary
Global Express	11,514,453	8.1%	Global Express
Esterad Investment Company B.S.C	9,450,000	6.6%	Esterad Investment Company BSC
Rouben's Stores W.L.L.	6,908,217	4.9%	Rouben's Stores W.L.L.
Farouk Yousuf Almoayyed	6,728,526	4.7%	Farouk Yousuf Almoayyed
Bahrain Maritime & Mercantile Intl. Co.	4,298,545	3.0%	Bahrain Maritime & Mercantile Intl. Co

b. Statement of shareholders' equity as of 31 December 2019 (individuals, corporate, government or organizations) to be classified as follows:

Shareholder Classification	Shareholding			Total
	Individuals	Corporate	Government or Organizations	
Local	52,703,919	80,175,519	33,509	132,912,947
Arab	6,815,458	1,806,132	-	8,621,590
Foreign	737,401	-	-	737,401
Total	60,256,778	81,981,651	33,509	142,271,938

CORPORATE GOVERNANCE

3. SHAREHOLDER INFORMATION (continued)

c. Description of how shareholders are distributed according to their respective shareholding as at 31 December 2019 as follows:

Shareholding (share)	Number of Shareholders	Number of shares held	Shareholding %
< 50,000	431	5,041,870	3.5%
50,000 to 500,000	90	12,322,548	8.7%
500,000 to 5,000,000	54	90,306,324	63.5%
> 5,000,000	4	34,601,196	24.3%

d. Description of the significant events that occurred during the year 2019 is a follows:

No significant events occurred in 2019.

4. COMPANY'S BOARD, DIRECTORS AND MANAGEMENT

Board Procedure

The Board procedure is defined in the Charter of the Board. The Company has a practice of circulation of agenda and other supporting documents well in advance to enable the directors to deliberate and decide on all matters listed in the agenda to constantly enhance the performance of the Company.

Board and Directors' Responsibilities

The specific responsibilities of the Board include:

1. Monitoring the overall business performance;
2. Monitoring the performance of executive management to ensure that executives are compensated fairly;
3. Monitoring management performance and succession plan for Senior Management;
4. Accurate preparation of the quarterly and annual consolidated financial statements and ensure that financial statements are free from errors and fraud;
5. Monitoring conflicts of interest and preventing abusive related party transactions;
6. Convening and preparing for the shareholders meetings;
7. Recommending dividends to shareholders and ensure its execution;
8. Adapting, implementing and monitoring compliance with the Company's Code of Business Conduct;
9. Disclosure of financial information to the Government Authorities and the public within the stipulated time;
10. Reviewing the Company's objectives and policies relating to social responsibilities; and
11. Overseeing the direction and management of the company in accordance with Commercial Companies Law and other Rules and Regulations issued by the Government of Bahrain.

Material Transactions that require Board approval

The following material items require review of the Board of Directors, evaluation and approval:

1. The Company strategy;
2. The annual budget, capital expenditure budget, major contracts, diversification plans/divestment;
3. The financial statements;
4. Major resource allocations and capital investments; and
5. Management responsibilities and training, development and succession plan for Senior Management.

CORPORATE GOVERNANCE

4. COMPANY'S BOARD, DIRECTORS AND MANAGEMENT (continued)

Director's profiles (Directorships of other Boards)

The following members of the Board of Directors are also the member of other listed companies in the Kingdom of Bahrain:

Name of Director	Designation	Name of Company
Farouk Almoayyed	Chairman	National Bank of Bahrain
	Chairman	Gulf Hotels Group
	Chairman	Bahrain National Holdings
Abdulla Buhindi	Chairman	BMMI
	Chairman	United Paper Industries (Bahrain & Jordan)
	Chairman	Banader Hotel Company
Jalal Mohammed Jalal	Director	Bahrain Cinema Company
Jehad Yousuf Amin	Vice Chairman	Banader Hotels
	Director	Bahrain National Holding
	Director	Trafco
Abdul Rahman Mohammed Saif Jamsheer	Director	Bahrain Cinema Company
	Director	BMMI
	Chairman	Delmon Poultry
	Vice Chairman	Esterad Investment Company

Status of Directorships and Board Composition

Name of Director	Profession	Title	Type (executive, non-executive or independent)
Farouk Yousuf Almoayyed	Businessman	Chairman	Non-Executive / Non-Independent
Abdulla Hassan Buhindi	Businessman	Managing Director	Executive / Non-Independent
Nabeel Abdulla Al Zain	Businessman	Director	Non-Executive / Non-Independent
Jawad Yousif Al Hawaj	Businessman	Director	Non-Executive / Non-Independent
Mohammed A. Rahman Al Khan	Businessman	Director	Non-Executive / Non-Independent
Ghassan Ebrahim Al Sabbagh	Businessman	Director	Non-Executive / Independent
Jalal Mohammed Jalal	Businessman	Director	Non-Executive / Non-Independent
Sh. Mohammed Bin Ali Bin Mohammed Al Khalifa	Businessman	Director	Non-Executive / Independent
Jassim Mohammed Al Shaikh	Businessman	Director	Non-Executive / Independent
Jehad Yousuf Amin	Businessman	Director	Non-Executive / Non-Independent
Abdul Rahman Mohammed Saif Jamsheer	Businessman	Director	Non-Executive / Non-Independent

Appointment & Termination / Resignation of Directors

Directors are elected for 3-year term. The current term is 2019 – 2021. Elections take place in accordance with the Memorandum and Articles of Association of the Company and the Bahrain Commercial Companies Law. There is no maximum age limit at which a Director must retire from the Board. Each Director's term of appointment expires, pursuant to the terms of his Letter of Appointment and/or the provisions of the law. During the year 2019, all the members of the Board of Directors were appointed and re-elected at the annual general meeting held on 26 March 2019, with the exception of the member Ghassan Al Sabbagh who was appointed by the Board.

CORPORATE GOVERNANCE

4. COMPANY'S BOARD, DIRECTORS AND MANAGEMENT (continued)

Induction and Training of Directors

The Company has a formal induction program in place, which is designed for each new Director. The induction program includes i) an introductory pack containing, amongst other things, the Company Overview, Organization Chart, Terms of Reference of the Board and Board Committees and key policies; ii) presentations on significant financial, strategic and risk issues; and iii) orientation meetings with key management as may be required. All continuing directors are invited to attend orientation meetings. All directors are continuing from the previous year and hence no training took place during the year.

Directors Ownership of Company's shares

Name of Director	Type of Shares	Number of Shares
Farouk Almoayyed	Ordinary	6,728,526
Abdulla Buhindi	Ordinary	2,747,071
Jehad Yusuf Abdulla Amin	Ordinary	2,000,981
Sh. Mohamed Bin Ali Bin Mohamed Al Khalifa	Ordinary	1,300,000
Mohammed Al Khan	Ordinary	924,761
Jassim Al Shaikh	Ordinary	673,197
Jalal Mohamed Jalal	Ordinary	550,585
Ghassan Al Sabbagh	Ordinary	505,254
Nabeel Al Zain	Ordinary	8,273

Director's Trading of Shares during the year

During the year, the following Board Member sold/purchased shares in the Company:

Name of Directors	Position/Kinship	Share disposed	Share purchased	Share transfer (226,609)
Abdulla Buhindi	Managing Director			
Sh. Mohamed Bin Ali Bin Mohamed Al Khalifa	Director	(275,396)		
Jehad Yusuf Abdulla Amin	Director		70,981	

Board Meetings

The Company should hold a minimum of four Board meetings during each year. The following table summarizes the information about member's attendance in the Board of Directors meetings:

Meetings of Board of Directors held in 2019:

Board Member	Business Title	12-Feb	26-Mar	13-May	11-Nov	% Attend
Farouk Yousuf Almoayyed	Chairman	✓	✓	✓	✓	100%
Abdulla Hassan Buhindi	Managing Director	✓	✓	✓	✓	100%
Nabeel Abdulla Al Zain	Director	✓	✓	✓	✓	100%
Jawad Yousif Al Hawaj	Director	✓	✓	✓	✓	100%
Mohammed A.Rahman Al Khan	Director	✓	✓	✓	✓	100%
Ghassan Ebrahim Al Sabbagh	Director	✓	✓	✓	✓	100%
Jalal Mohammed Jalal	Director	✓	✓	✓		75%
Sh. Mohammed Bin Ali Bin Mohammed Al Khalifa	Director	✓	✓	✓	✓	100%
Jassim Mohammed Al Shaikh	Director	✓	✓	✓	✓	100%
Jehad Yousuf Amin	Director	✓	✓	✓	✓	100%
Abdul Rahman Mohammed Saif Jamsheer	Director	✓	✓	✓	✓	100%

CORPORATE GOVERNANCE

4. COMPANY'S BOARD, DIRECTORS AND MANAGEMENT (continued)

Remuneration Policy of Board of Directors

Article 188 of the Commercial Companies Law No. 21 of 2001 explains the method of payment of remuneration to the directors. The remuneration policy is based on attendance fees and basic fees paid to the members of the Board of Directors.

Total remunerations paid to the directors for the (last) year 2018 amounted to BD 130,000

The proposed total remunerations to be paid to the directors for the year 2019 is BD 130,000 and will be presented at the annual general meeting for approval.

Management

The following table summarizes information about the profession, designation/business title, experience in years and qualifications of Senior Management:

Name of members of senior management	Designation	Experience in years	Qualification
Bassam Al Wardi	General Manager	22	MBA, Hull University UK
Dominic Carroll	Head of Finance	36	Member of Certified Public Accountants in Ireland.
Richard Wilkinson	Head of Purchasing	13	Bachelor's Degree from Cardiff Metropolitan University UK

The remuneration paid to Senior Management during the year was as follows:

Senior Management	Amount (BD)
Salaries	219,325
Employees' end of service benefits	9,113
Bonuses	59,340

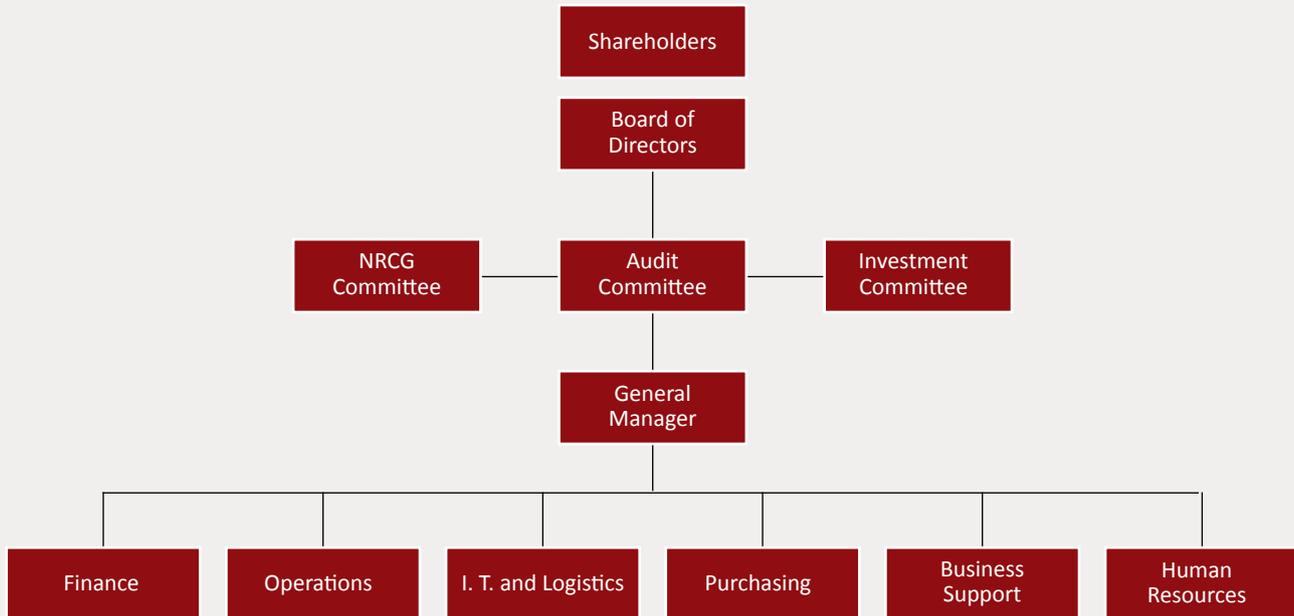
Code of Conduct/ Code of Ethics

The Company has the Code of Conduct/Code of Ethics policy describing the standards expected from each employee of the Company.

- Each employee should protect the assets of the Company.
- The Company has to act on the customers' complaints promptly and courteously.
- No employee should take a bribe from any person on behalf of the Company.
- The Company will not disclose information about the customers/business associates to any other person /entities.
- Employees are not to disclose information about the Company either during or after the service to any outside person entities.

CORPORATE GOVERNANCE

5. COMPANY ORGANIZATIONAL STRUCTURE



6. COMMITTEES

The Committees are constituted by the Board for good corporate governance. Scope of roles and responsibilities are clearly defined in the Charters of each respective Committee. Committees put forward suggestions and recommendation to the Board as and when deemed necessary. Minutes of the Committee meetings are circulated to members of the Board regularly. The Board constantly evaluates the composition of the committees to comply with the requirements of Law and for the successful functioning of the Company.

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

Board's Committee	Objective	Members	Position	Independent/ Non-independent
Audit Committee	To assist the Board in ensuring and maintaining an oversight of the financial reporting system, Internal Controls and Regulatory Requirements.	Mohammed Al Khan	Chairman	Non-Independent
		Ghassan Al Sabbagh	Member	Independent
		AbdulRahman Jamsheer	Member	Non-Independent
NRCG Committee	To assist the Board in independently overseeing the affairs of the Company	Farouk Yousuf Almoayyed	Chairman	Non-Independent
		Abdulla Buhindi	Member	Non-Independent
		Jalal Mohamed Jalal	Member	Non-Independent
Investment Committee	To assist the Board in overseeing and managing the Company's Investment Activities.	Farouk Yousuf Almoayyed	Chairman	Non-Independent
		Abdulla Buhindi	Member	Non-Independent
		Jehad Yousuf Amin	Member	Non-Independent
		Nabeel Al Zain	Member	Non-Independent

CORPORATE GOVERNANCE

6. COMMITTEES (continued)

Audit Committee:

Mohammed Al Khan is the Chairman of the Audit Committee. The Audit Committee comprises of three directors. The Charter of the Audit Committee specifies the roles and responsibilities assigned to the Committee.

Competences of the Audit Committee Members:

- 1- Review the company's accounting and financial practices.
- 2- Review the credibility of the company's financial control, internal control and financial statements.
- 3- Review and approve the company's financial statements before presenting the same to the Board.
- 4- Discuss the significant accounting and financial policies and reporting issues for the financial year.
- 5- Review the company's compliance with legal requirements.
- 6- Consider and recommend to the Board, the appointment, resignation or dismissal of an external auditor, determine the audit fees and compensations and oversee the auditor's work.
- 7- Discuss the significant observations of external and internal Auditors and the response from the management.
- 8- Review the company's risk management and internal audit functions.
- 9- Ensure existence of appropriate policies, procedures, systems, internal controls and guidelines in the Company.
- 10- Deal with any concerns arising from the 'whistleblower' program adopted by the Board to allow for concerns to be raised confidentially.

The Company should hold minimum of four Audit Committee meetings during each year. During the year, four meetings of the Audit Committee were held. The following changes were made to the Audit Committee during 2019.

Mohammed Al Khan took up the position of Chairman.
Abdul Rahman Jamsheer was appointed as a new member.
Jawad Al Hawaj ceased to be a member.

Total sitting fees paid to the members of the Audit Committee in 2019 was BD4,800. The following table summarizes the information about the member's attendance in the Audit Committee meetings:

Board Member	Business Title	5-Feb	8-May	29-Jul	4-Nov	% Attend
Mohammed A.Rahman Al Khan	Director	✓	✓	✓	✓	100%
Ghassan Ebrahim Al Sabbagh	Director	✓	✓	✓	✓	100%
Abdul Rahman Mohammed Saif Jamsheer	Director		✓	✓	✓	75%
Jawad Yousif Al Hawaj	Director	✓				25%

Nomination, Remuneration and Governance Committee:

Farouk Yousuf Almoayyed is the Chairman of the Nomination, Remuneration and Governance Committee. The Nomination, Remuneration and Governance Committee comprises of three directors. The Charter of the Nomination, Remuneration and Governance Committee specifies the roles and responsibilities assigned to the Committee.

Competences of the Nomination, Remuneration and Governance Committee Members:

- 1- Review the structure of the Board, periodically evaluate the directors' performance and make recommendations to the Board on the necessary changes that should be made to address weaknesses to achieve the company's interests.
- 2- Ensure that adequate policies and procedures are in place for the evaluation of the performance of executive management.
- 3- Review the remuneration & sitting fees of the directors and making recommendations to the Board about their decisions.
- 4- Approve of succession plans of senior management before the plans are presented to the Board for approval.
- 5- Assist the board in developing the Company's Corporate Governance policy framework and recommending changes from time to time to the framework developed.
- 6- Ensure the Company's practices conform to its corporate governance policy and is aligned to good governance practices.

CORPORATE GOVERNANCE

6. COMMITTEES (continued)

The Company should hold minimum of one Nomination, Remuneration and Governance Committee meeting during each year. During the year, one meeting of the Nomination, Remuneration and Governance Committee was held. Total sitting fees paid to the NRCG committee in 2019 was BD 1,200. The following table summarizes the information about the members attendance in the Nomination, Remuneration and Governance Committee meeting:

Board Member	Business Title	26-Mar	% Attend
Farouk Yousuf Almoayyed	Chairman	✓	100%
Abdulla Hassan Buhindi	Managing Director	✓	100%
Jalal Mohammed Jalal	Director	✓	100%

Investment Committee:

Farouk Yousuf Almoayyed is the Chairman of the Investment Committee. The Investment Committee comprises of four directors. The Charter of the Investment Committee specifies the roles and responsibilities assigned to the Committee.

Competences of the Investment Committee Members:

- 1- Review and monitor the investment activities on a quarterly basis.
- 2- Oversee and administer the roles and responsibilities of the investment team.
- 3- Recommend new investment proposals and investment opportunities to the Board for approval.
- 4- Review and monitor the investment performance.
- 5- Approval of selected fund managers, mutual funds, investments/funds, brokers and custodian firms.
- 6- Approval of specific investment guidelines within the policy framework.
- 7- Approval for managing time deposits with eligible banks.
- 8- Make recommendations to the Board for adoption of, or amendments to, the Investment Policy Statement.
- 9- Authorised to approve new investments as per the delegated authority limits (DAL). Any proposed investment exceeding this limit must be recommended to the Board for approval.
- 10- Identify investment opportunities that would yield sufficient returns to maximize shareholder wealth at an appropriate level of risk.
- 11- Review performance of the BDFS investment portfolio at the end of each quarter and report to Board of any exceptions, like impairments.
- 12- Review all expenses related in maintaining the investment portfolio, and report to the Board, as appropriate.
- 13- Engage suitably qualified members from the Management to monitor the investment portfolio.
- 14- Review provisions/impairment loss/write-offs/bad debts on investments and funding provided to investee companies.
- 15- Review and ensure investment policy, objective and guidelines is regularly updated every three years.
- 16- Review investment fees and expenses associated with the program on an annual basis to ensure they are reasonable and competitive.

The Company should hold minimum of three Investment Committee meetings during each year. During the year, three meetings of the Investment Committee were held. Total sitting fees paid to the members of the Investment Committee in 2019 was BD4,800. The following table summarizes the information about the member's attendance in the Investment Committee meetings:

Board Member	Business Title	12-Feb	13-May	11-Nov	% Attend
Farouk Yousuf Almoayyed	Chairman	✓	✓	✓	100%
Abdulla Hassan Buhindi	Managing Director	✓	✓	✓	100%
Nabeel Abdulla Al Zain	Director	✓	✓	✓	100%
Jehad Yousuf Amin	Director	✓	✓	✓	100%

CORPORATE GOVERNANCE

7. CORPORATE GOVERNANCE

Actions taken to complete the Corporate Governance Code

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

The Board of Directors has adopted the Code and a Whistleblower Policy to monitor compliance with the ethical requirements of the Code. The Code provides clear directions on conducting business internationally, interacting with the Government entities, communities, business partners and general workplace behavior having regard to the best practice of corporate governance models and ethics. The Code also sets out a behavioral framework for all employees in the context of a wide range of ethical and legal issues.

8. CORPORATE GOVERNANCE OFFICER

S.No.	Name	Qualification	Date of Appointment	Contact Details
1	Sadeq Ismaeel Abdulaziz	2012-2015 Executive Master Business Administration, The University of Hull, United Kingdom	31 January 2019	17337137

9. IRREGULARITIES COMMITTED DURING THE FINANCIAL YEAR

During the year 2019, no financial or other types of Irregularities occurred.

10. EXTERNAL AUDITORS

Name of the audit firm	KPMG
Years of service as the Company's external auditor	30 Years
Name of the partner in charge of the Company's audit	Jalil AlAali
The partner's years of service as the partner in charge of the Company's audit	3 Years
Total audit fees for the financial statements for the year 2019 (in BD)	29,900
Other special fees and charges for non-audit services during the year 2019.	0

11. CONFLICT OF INTEREST

No conflict of interest was noted during the year ended 2019. In the instance of a conflict of interest noted as a result of any business transaction or any type of resolution to be taken, the concerned Board member shall refrain from participating at the discussion of such transaction or for resolution to be approved. Board members who are party to any of the business transactions or the Board's Committees are required to inform the Board of a potential conflict of interest prior to the discussion of any transaction or resolution and concerned member(s) should refrain from voting on these transactions or resolution where a conflict of interest arose.

CORPORATE GOVERNANCE

12. RELATED PARTY TRANSACTIONS

All related party transactions are carried out at arm's length basis and approved by the management of the Company. No employee or director or member of executive management can trade in the shares with the material information which is not made public.

Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction is as follows: all figures are BD and expressed in thousand's.

Company Name	Relationship	Type of Transaction	Income		Expense
			Share of Profit/Loss	Commission	Purchases/Expense
BIADCO	Equity-accounted investees	Warehousing services	31		123
BDFC	Equity-accounted investees	Equity-accounted investees	29		
ARI	Management Company	Purchase of goods / mgt.fees			6,657
Al Zain Jewellery	Directors have an interest	Gold / jewellery supplier		126	
Almoayyed General WLL	Directors have an interest	Purchase of goods		41	
Almoayyed Air Conditioning WLL	Directors have an interest	Air conditioning services			6
Almoayyed Computers	Directors have an interest	Purchase of goods			26
Almoayyed Transport co S.P.C	Directors have an interest	Staff transport provider			121
Almoayyed Interiors	Directors have an interest	Purchase of goods			4
Ashraf BGDC W.L.L	Directors have an interest	Purchase of goods		51	
Ashrafs WLL	Directors have an interest	Purchase of goods		22	114
Awal Press	Directors have an interest	Purchase of goods			11
Awal Stationery	Directors have an interest	Purchase of goods			4
Bahrain Airport Services (BAS)	Directors have an interest	Supply of services / rent			138
Bahrain Electromechanical Service	Directors have an interest	Supply of services			20
Bahrain Business Machine W.L.L	Directors have an interest	Supply of services			16
Banz Group	Directors have an interest	Clearance / importation services			130
BMMI	Directors have an interest	Purchase of goods			32
Buhendi Imperial Trading	Directors have an interest	Purchase of goods		2	
Information Village	Directors have an interest	Supply of services			26
Jalal Ionics WLL	Directors have an interest	Purchase of goods			3
Y.K.Almoayyed & Sons B.S.C.	Directors have an interest	Purchase of goods			50
House of Travel BSC	Directors have an interest	Supply of services			50
TOTAL BHD 000's			60	242	7,528

CORPORATE GOVERNANCE

13. MEANS OF COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company is committed to provide relevant and timely information to its shareholders, investors and regulators in accordance with its continuous disclosure obligations defined in the Code. Information is communicated to shareholders and regulators through the distribution of the Company's Annual Report and other information releases about the significant matters through the Company's website in a timely manner. The Board Secretary / Corporate Governance Officer is responsible for communications with the shareholders and regulators ensuring that the Company meets its continuous disclosure obligations as defined in the Code. Notice of the Annual General Meeting (AGM) is provided on the Company Website under the heading "Investor Relations".

14. EVALUATION OF BOARD PERFORMANCE

The shareholders evaluate the performance of the Board of Directors and absolve them from liability in the Annual General Meeting. The Board of Directors evaluates the performance of the Chairman and General Manager in the Board of Director meetings.

During the year, the 2019 the performance of the Board of Directors and Board Committees were evaluated as part of the agenda of the NRCG meeting held in March 2019.

15. CONTRIBUTIONS TOWARDS COMMUNITY DEVELOPMENT AND ENVIRONMENT PRESERVATION

During 2019, the company made charitable contributions totaling BD 115,456. This is broken down as follows: payment for Society cultural events BD 50,000, community support for sporting events BD 55,000 and Charitable payment BD 10,456.

CORPORATE GOVERNANCE

16. COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

Principle	Non-compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board. See Note below		✓		
Principle 2: The directors and executive management shall have full loyalty to the company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law. See Note below			✓	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors.			✓	
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly. See Note below.			✓	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, authority, roles and responsibilities.			✓	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			✓	
Principle 8: The Company shall disclose its corporate governance.			✓	
Principle 9: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 10: The Company shall seek through social responsibility to exercise its role as a good citizen.			✓	

Note: Corporate Governance principles no. 1 is being adhered to and performed in line with the respective charters as approved by the Board of Directors. The Director's independence criteria is not being adhered to as per the Corporate Governance Code, however, the years of work experience qualifies the Board members to carry out their responsibilities effectively as Chairman of the Board and the various other committee roles carried out by other board members.





INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Bahrain Duty Free Shop Complex BSC (the "Company") which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which describes the impact of the expiry of the current concession agreement to operate duty free business at Bahrain International Airport and commencement in 2020 of a new concession agreement through a joint venture with Gulf Air Group Holding BSC (c). Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of unquoted equity investments – BD 6,701 thousands (note 3(g)(iv) and 24(e))

Description	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> The Company's portfolio of unquoted equity securities make up 11 % of the Company's total assets (by value); and The valuation of these investments involve the use of valuation techniques. The application of valuation techniques often involve the exercise of judgment by the Company and the use of assumptions and estimates. 	<p>With the assistance of our valuation specialists, we:</p> <ul style="list-style-type: none"> The Company's portfolio of unquoted equity securities make up 11 % of the Company's total assets (by value); and The valuation of these investments involve the use of valuation techniques. The application of valuation techniques often involve the exercise of judgment by the Company and the use of assumptions and estimates. compared the key underlying financial data inputs to external sources, investee company financial and management information as applicable; and assessed the adequacy of the Company's disclosures in relation to valuation of unquoted equity securities by reference to the requirements of the relevant accounting standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Impairment of investment property – BD 10,745 thousands (note 3(d) and 5)

Description	How the matter was addressed in our audit
<p>We focused on this area due to the uncertainty prevalent in the property market and the subjective nature of property impairment assessment.</p>	<p>With the assistance of our valuation specialists, we:</p> <ul style="list-style-type: none"> • evaluated the appropriateness of the valuation methodologies used by the independent property valuer appointed by the Company by comparing with observed industry practice; • assessed consistency of valuation methodology and key inputs and assumptions used with prior year; • compared the value of each property to the valuation report; and • assessed the qualification and experience of the independent property valuer.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's report which forms part of the 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 financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' 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 financial statements

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

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements for the year ended 31 December 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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 regulatory requirements

1) As required by the Commercial Companies Law, we report that:

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

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

- a) a corporate governance officer; and
- b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Jalil AlAali.



KPMG Fakhro
Partner registration number 100
10 February 2020

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

Bahraini Dinars '000s

	Note	2019	2018
ASSETS			
Property and equipment	4	74	1,003
Investment properties	5	10,745	10,808
Equity-accounted investees	6	4,350	2,483
Investment securities	7	29,774	29,436
Other assets	8	1,866	1,893
Total non-current assets		46,809	45,623
Inventories	9	5,339	4,090
Trade and other receivables	10	2,448	1,813
Cash and bank balances	11	7,242	7,603
		15,029	13,506
Assets held-for-sale	4	149	-
Total current assets		15,178	13,506
Total assets		61,987	59,129
EQUITY AND LIABILITIES			
Equity			
Share capital	12	14,227	14,227
Share premium		1,953	1,953
Statutory reserve		7,114	7,114
Charity reserve		772	738
Fair value reserve		7,856	6,936
Retained earnings		20,996	20,280
Total equity		52,918	51,248
Liabilities			
Employees' benefits	13	546	472
Trade and other payables	14	4,113	4,187
Royalty payable	15	4,410	3,222
Total current liabilities		9,069	7,881
Total equity and liabilities		61,987	59,129

The financial statements were approved by the Board of Directors on 10 February 2020 and signed on its behalf by:



Farouk Yousuf Almoayyed
Chairman



Abdulla Buhindi
Board Member & Managing Director

The accompanying notes 1 to 26 are an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS

for year ended 31 December 2019

Bahraini Dinars '000s

	Note	2019	2018
Revenue	16	37,605	36,402
Cost of sales		(18,965)	(18,649)
Gross profit		18,640	17,753
Other income, net	17	1,676	1,808
Administrative expenses	18	(13,328)	(12,805)
Selling expenses		(572)	(656)
Operating profit		6,416	6,100
Interest income		118	237
Income from investment securities		1,358	1,644
Income from investment properties, net	19	150	200
Impairment reversal/(loss) on financial assets, net		12	(13)
Impairment on investment property	5	(616)	(692)
Share of profit/(loss) of equity-accounted investees	6	60	(6)
Profit for the year		7,498	7,470
Basic and diluted earnings per share (in fils)	22	53	53

The Company's duty-free operations under the current concession agreement will terminate on closure of the current terminal at Bahrain International Airport during 2020 (refer note 1).

STATEMENT OF COMPREHENSIVE INCOME

for year ended 31 December 2018

	2019	2018
Profit for the year	7,498	7,470
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Net fair value changes on available-for-sale securities	-	399
<i>Items that will not be reclassified to profit or loss</i>		
Equity investments at FVOCI - net change in fair value	1,411	-
Total other comprehensive income	1,411	399
Total comprehensive income for the year	8,909	7,869

Farouk Yousuf Almoayyed
Chairman

Abdulla Buhindi
Board Member & Managing Director

The accompanying notes 1 to 26 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for year ended 31 December 2019

Bahraini Dinars '000s

2019	Share capital	Share Premium	Statutory reserve	Charity reserve	Fair value reserve	Retained earnings	Total equity
At 1 January 2019	14,227	1,953	7,114	738	6,936	20,280	51,248
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	7,498	7,498
Other comprehensive income							
<i>Items that will not be reclassified to profit or loss</i>							
Equity investments at FVOCI - net change in fair value	-	-	-	-	1,411	-	1,411
Transferred to retained earnings on sale of equity investments	-	-	-	-	(491)	491	-
Total other comprehensive income	-	-	-	-	920	491	1,411
Total comprehensive income for the year	-	-	-	-	920	7,989	8,909
Final dividend declared for 2018	-	-	-	-	-	(4,268)	(4,268)
Interim dividend paid for 2019	-	-	-	-	-	(2,856)	(2,856)
Charity utilised during 2019	-	-	-	(115)	-	-	(115)
Charity contributions approved for 2018	-	-	-	149	-	(149)	-
At 31 December 2019	14,227	1,953	7,114	772	7,856	20,996	52,918

The accompanying notes 1 to 26 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for year ended 31 December 2019 (continued)

Bahraini Dinars '000s

2018	Share capital	Share Premium	Statutory reserve	Charity reserve	Fair value reserve	Retained earnings	Total equity
At 1 January 2018	14,227	1,953	7,114	739	6,173	19,745	49,951
Impact on adoption of IFRS 9 as at 1 January 2018	-	-	-	-	420	263	683
Restated balances as at 1 January 2018	14,227	1,953	7,114	739	6,593	20,008	50,634
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	7,470	7,470
Other comprehensive income							
<i>Items that will not be reclassified to profit or loss</i>							
Equity investments at FVOCI - net change in fair value	-	-	-	-	399	-	399
Transferred to retained earnings on sale of equity investments	-	-	-	-	(56)	56	-
Total other comprehensive income	-	-	-	-	343	56	399
Total comprehensive income for the year	-	-	-	-	343	7,526	7,869
Final dividend declared for 2017	-	-	-	-	-	(4,267)	(4,267)
Interim dividend paid for 2018	-	-	-	-	-	(2,845)	(2,845)
Charity utilised during 2018	-	-	-	(143)	-	-	(143)
Charity contributions approved for 2017	-	-	-	142	-	(142)	-
At 31 December 2018	14,227	1,953	7,114	738	6,936	20,280	51,248

The accompanying notes 1 to 26 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

for year ended 31 December 2019

Bahraini Dinars '000s

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from customers		37,415	37,175
Other receipts		2,195	1,770
		39,610	38,945
Payments for purchases		(19,972)	(19,600)
Payments for other operating expenses		(5,722)	(5,881)
Payments for management fees		(1,077)	(955)
Payments for royalty	15	(5,065)	(5,243)
Directors' remuneration paid		(130)	(100)
Payment to charities		(115)	(142)
		(32,081)	(31,921)
Net cash generated from operating activities		7,529	7,024
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		306	373
Dividend income received		1,157	1,583
Rental income received from investment property - net		313	421
Dividends received from associate		-	50
Acquisition of property and equipment, net		(33)	(125)
Acquisition of investment property		(71)	-
Bank deposit		1,128	5,418
Proceeds from maturity of debt securities		-	113
Proceeds from sale of investment at FVOCI		1,163	170
Acquisition of investments at FVOCI		(143)	(2,422)
Advances for investments at FVOCI		(1,023)	(1,967)
Proceeds received from investments at FVTPL, net		86	-
Income received from investments at FVTPL		40	-
Investment in joint venture		(1,808)	(2,377)
Net cash from investing activities		1,115	1,237
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(7,877)	(6,428)
Net cash used in financing activities		(7,877)	(6,428)
Net increase in cash and cash equivalents during the year		767	1,833
Cash and cash equivalents at 1 January		4,475	2,642
Cash and cash equivalents at 31 December	11	5,242	4,475

The accompanying notes 1 to 26 are an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

1 REPORTING ENTITY

Bahrain Duty Free Shop Complex BSC (the "Company") is a Bahraini Joint Stock Company registered under commercial registration number 23509 on 15 July 1990 and listed on the Bahrain Bourse. The Company operates duty free shops within Bahrain International Airport, Khalifa Port and Gulf Air Inflight under a concession agreement from the Government of Bahrain. The Company's duty-free operations under the current concession agreement will terminate on closure of the current Bahrain International Airport in 2020.

Bahrain Duty Free Co WLL ("BDFC"), a Bahraini incorporated company, 55% owned by the Company and 45% owned by Gulf Air Group Holding BSC (c), a company owned by the Government of Bahrain, has won the new concession from the Government of Bahrain to operate the duty free business in the new Bahrain international airport which is expected to be operational during 2020. BDFC operates as a joint venture by virtue of a shareholders' agreement whereby both parties agreed to have joint control.

With the expiry of the current concession agreement on the planned opening of the new airport in 2020, the Company will no longer continue its duty-free services. These services generated an operating profit of BD 6,416 thousand in 2019 (2018: BD 6,100 thousand). However, the Company will continue as a going concern and shall derive income from its investment related activities including its 55% share of profit of the equity accounted joint venture, BDFC. Accordingly, the financial statements have been prepared on going concern basis.

2 BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in conformity with the Commercial Companies Law.

b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for investments at fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL), which are stated at fair value.

c) Functional and presentation currency

These financial statements are presented in Bahraini Dinars, which is also the Company's functional currency. Unless otherwise stated, all financial information presented has been rounded off to the nearest Dinar.

d) Use of estimates and judgements

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

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

(i) Impairment of inventories

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

(ii) Classification of financial assets

In the process of applying the Company's accounting policies, management decides on acquisition of an investment whether it should be classified as investments carried at fair value through profit or loss or investments carried at fair value through other comprehensive income or investments carried at amortised cost. The classification of each investment reflects Company's business model in relation to each investment and is subject to different accounting treatments based on such classification

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

2 BASIS OF PREPARATION (continued)

d) Use of estimates and judgements (continued)

(iii) Impairment of financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Debt securities and other financial assets measured at amortized cost are assessed for impairment using the expected credit loss model.

(iv) Financial instruments measured at fair value

Fair value measurement techniques are used to value unquoted equity investments. Detailed discussions of the fair value measurement techniques are included in note 2(f).

(v) Impairment of investment property

The Company conducts impairment assessment of investment property on an annual basis using external independent property valuers to value the property. The fair value is determined based on the market value of the property by using sales comparison approach and/or income capitalization method considering its current physical condition.

(vi) Useful life and residual value of investment property, property and equipment

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

e) New standards, amendments and interpretations effective from 1 January 2019

The following standards, amendments and interpretations, which became effective as of 1 January 2019, are relevant to the Company:

i. IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019.

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

ii. Long term interests in associates and joint venture (Amendments to IAS 28)

An amendment to IAS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment, which addresses equity-accounted loss absorption by LTI, involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.

In effect, this is a three-step annual process:

- Apply IFRS 9 independently
- True up past allocations
- Book current year equity share

The amendment applies for annual periods beginning on or after 1 January 2019. The adoption of this amendment had no significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

2 BASIS OF PREPARATION (continued)

e) New standards, amendments and interpretations effective from 1 January 2019 (continued)

iii. Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards

As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued the Annual Improvements to IFRS Standards 2015–2017 Cycle. The amendments are effective for annual reporting periods beginning on or after 1 January 2019.

IFRS 11 – joint arrangement

Clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. The adoption of this amendment had no significant impact on the financial statements.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

The following standards are expected to have a material impact on the Company's financial statements in the period of initial application.

i. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

The effective date for these changes has now been postponed until the completion of a broader review – which the IASB hopes will result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. However, early adoption continues to be permitted.

3 SIGNIFICANT ACCOUNTING POLICIES

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

a) Equity-accounted investees

The Company's interests in equity-accounted investees comprise interests in an associate and a joint venture. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associate and joint venture are accounted for using equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity-accounted investee, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investee.

Dividend received from the equity-accounted investee is recognised as a reduction in the carrying amount of the investment.

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency translation

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

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

c) Inventories

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

d) Investment property

Investment properties are those which are held by the Company to earn rental income or for capital appreciation or both. Investment properties are carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the cost of the investment property over their estimated useful lives of 20-40 years. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from the disposal and the carrying amount of the property) is recognized in profit or loss in the period in which it arises. Land is not depreciated.

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

e) Property and equipment

(i) Owned assets

Items of property and equipment held for use in the provision of service or for administrative purposes on a continuing basis and not intended for sale in the ordinary course of business are carried at cost less accumulated depreciation and impairment losses, if any.

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Categories	Estimated used life in years
Leasehold buildings	20
Leasehold improvements	10
Furniture and fixtures	5
Computer, other equipment and vehicles	5

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property and equipment (continued)

(iii) Depreciation (continued)

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

g) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

The Company classifies its financial liabilities at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent measurement

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities are classified as measured at amortized cost.

(iii) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

(iv) Fair value measurement

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

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

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs such as discounted cash flows and market multiples for similar instruments. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

In determining fair valuation, the Company in many instances relies on the financial data of investees and on estimates by the management of the investee companies as to the effect of future developments.

Although the Company uses its best judgment, there are inherent limitations in any estimation technique. The fair value estimates presented herein are not necessarily indicative of an amount the Company could realise in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the consolidated financial statements.

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

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Impairment of financial assets

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

h) Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Employee benefits (continued)

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

i) Provisions

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

j) Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in the profit or loss.

k) Statutory reserve

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

l) Dividends

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

m) Revenue recognition

The Company generates revenue primarily from the sale of goods at the duty free to its customers. Other sources of revenue include commission on consignment goods and advertisement income from suppliers.

Revenue from sale of goods

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. Customers obtain control when the goods are delivered to them at the duty free shop. Invoices are generated at that point in time and consideration collected over the counter. Revenue is recorded net of returns and discounts.

The contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. For such contracts, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Commissions – if the Company acts in the capacity of an agent rather than as the principal in transaction, then revenue recognised is the net amount of commission made by the Company.

Advertisement income - is recognized from suppliers for advertising their products in the premises operated by the Company over the period of the contracts.

n) Dividend income

Dividend income is recognized when the right to receive the dividend is established.

o) Interest income

Interest income on bank deposits is recognised on effective interest rate basis.

p) Trade and other receivables

Trade receivables are recognised initially at the transaction price being fair value, and subsequently measured at amortised cost less provision for impairment.

q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

4 PROPERTY AND EQUIPMENT

	Leasehold buildings	Leasehold improvements	Furnitures and Fixtures	Computer, other equipment & vehicles	Capital work in progress	Total
Cost						
1 January 2019	1,516	2,864	197	998	39	5,614
Additions	-	-	-	-	34	34
Transfers	-	5	10	51	(66)	-
Disposals / write-off	-	-	(29)	(67)	(7)	(103)
31 December 2019	1,516	2,869	178	982	-	5,545
Depreciation						
1 January 2019	(1,345)	(2,266)	(133)	(867)	-	(4,611)
Charge for the year	(171)	(494)	(56)	(70)	-	(791)
Disposals / write-off	-	-	29	51	-	80
31 December 2019	(1,516)	(2,760)	(160)	(886)	-	(5,322)
Net book value at 31 December 2019	-	109	18	96	-	223
Transferred to Assets held-for-sale	-	82	16	51	-	149
Net book value at 31 December 2019	-	27	2	45	-	74

The Company's duty-free operations under the current concession agreement will terminate on closure of the current Bahrain International Airport in 2020. Owing to this, some of the property and equipment will be transferred to the Company's joint venture, BDFC at net carrying value on the date of closure (expected to be during 2020). Property and equipment of BD 149 thousands have been disclosed as Assets held-for-sale in the statement of financial position at the reporting date.

	Leasehold buildings	Leasehold improvements	Furnitures and Fixtures	Computer, other equipment & vehicles	Capital work in progress	Total
Cost						
1 January 2018	1,516	2,817	233	1,014	46	5,626
Additions	-	-	-	-	131	131
Transfers	-	53	65	20	(138)	-
Disposals / write-off	-	(6)	(101)	(36)	-	(143)
31 December 2018	1,516	2,864	197	998	39	5,614
Depreciation						
1 January 2018	(1,175)	(1,727)	(213)	(797)	-	(3,912)
Charge for the year	(170)	(545)	(21)	(90)	-	(826)
Disposals / write-off	-	6	101	20	-	127
31 December 2018	(1,345)	(2,266)	(133)	(867)	-	(4,611)
Net book value at 31 December 2018	171	598	64	131	39	1,003

Properties used by the Company:

Property	Address	Area	Existing use	Tenure	Average age of property	Present carrying value
Shop building	Bahrain Airport	3,300 sq. mtr.	Business	25 years lease agreement	25 years	-

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

5 INVESTMENT PROPERTY

	2019	2018
At 1 January	10,808	11,703
Additions during the year	771	-
Depreciation for the year	(218)	(203)
Impairment during the year	(616)	(692)
At 31 December	10,745	10,808

Investment properties comprises freehold plots of vacant land, office property, commercial shops and residential property leased to third parties. Residential properties include furniture & fixtures with net book value of BD 89 thousand (2018: BD 134 thousand).

The fair value of investment property was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Company's investment property once a year. The valuation technique used and the fair value hierarchy is as below:

Property	Valuation technique	Fair value hierarchy
Additions during the year	Sales comparison	Level 2
Depreciation for the year	Weighted average of cost and income capitalisation	Level 3
Impairment during the year	Sales comparison	Level 2
Commercial shops	Sales comparison	Level 2

6 EQUITY-ACCOUNTED INVESTEEES

	2019			2018		
	BDFC	BIADCO	Total	BDFC	BIADCO	Total
Opening balance 1 January	2,341	142	2,483	-	162	162
Additions during the year	1,807	-	1,807	2,377	-	2,377
Share of profits	29	31	60	(36)	30	(6)
Dividends received	-	-	-	-	(50)	(50)
Closing balance 31 December	4,177	173	4,350	2,341	142	2,483

Set out below are the associates and joint ventures of the Company as at 31 December 2019 which, in the opinion of the directors, are material to the Company. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Company. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method
		2019	2018		
Bahrain Duty Free Company WLL	Kingdom of Bahrain	55%	55%	Joint Venture(1)	Equity Method
Bahrain International Airport	Kingdom of Bahrain	25%	25%	Associate(2)	Equity Method

(1) Bahrain Duty Free Company WLL is a duty free retailer and will operate in the new terminal of Bahrain International Airport on opening of the terminal.

(2) Bahrain International Airport Development Company is a warehouse facility service provider which provides bonded and non-bonded warehouse facilities.

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

6 EQUITY-ACCOUNTED INVESTEEES (continued)

Summarised financial information for associate and joint venture

The tables below provide summarised financial information for the joint venture and associate. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and joint venture and not the Company's share of those amounts.

	BDFC		BIADCO	
	2019	2018	2019	2018
Summarised financial information				
Current assets				
Cash and cash equivalents	5,772	4,054	*	*
Other current assets	19	202	*	*
Total current assets	5,791	4,256	274	264
Non-current assets	1,825	-	267	337
Current liabilities	(21)	-	(48)	(232)
Net assets	7,595	4,256	493	369
Reconciliation to carrying amounts:				
Opening net assets 1 January	4,256	-	369	449
Additions during the year	3,286	4,322	-	-
Profit/(loss)/profit for the year	53	(66)	124	121
Dividends paid	-	-	-	(201)
Closing net assets	7,595	4,256	493	369
Company's share in %	55%	55%	25%	25%
Company share	4,177	2,341	123	92
Goodwill	-	-	50	50
Carrying amount	4,177	2,341	173	142

* Shading indicates disclosures that are not required for investments in associates

	BDFC		BIADCO	
	2019	2018	2019	2018
Summarised statement of comprehensive income				
Interest income	140	9	*	*
Profit from continuing operations	53	(66)	126	121
Profit for the period	53	(66)	124	121
Total comprehensive income	53	(66)	124	121
Dividends received from associate and joint venture	-	-	-	50

* Shading indicates disclosures that are not required for investments in associates



NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

7 INVESTMENT SECURITIES

	2019	2018
Quoted equity securities at FVTOCI	19,190	18,230
Unquoted equity securities at FVTOCI	6,701	7,271
Debt securities at amortised cost (net of ECL)	2,564	2,552
Funds at FVTPL	1,319	1,383
	29,774	29,436

8 OTHER ASSETS

	2019	2018
Advance for investments	1,866	1,893
	1,866	1,893

9 INVENTORIES

	2019	2018
Inventories on hand	5,428	4,229
<i>Less: Impairment allowance</i>	(89)	(139)
	5,339	4,090

Movement on impairment allowance on inventories:

	2019	2018
At 1 January	139	99
(Reversal) / Charge for the year	(50)	40
At 31 December	89	139

10 TRADE AND OTHER RECEIVABLES

	2019	2018
Related party receivables (note 20)	205	508
Prepayments	521	337
Other income receivable	576	341
Trade receivables	281	248
Interest receivable	67	125
Rent receivable	119	93
Dividend receivable	39	-
Other receivables	643	193
	2,451	1,845
<i>Less: Impairment allowance</i>	(3)	(32)
	2,448	1,813

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

11 CASH AND BANK BALANCES

	2019	2018
Bank deposits	2,000	4,000
Bank balances	5,135	3,495
Cash in hand	108	110
Less: expected credit loss provision	(1)	(2)
Cash and bank balances in the statement of financial position	7,242	7,603
Bank deposits with original maturity more than 3 months	(2,000)	(3,128)
Cash and cash equivalents in the statement of cash flows	5,242	4,475

12 SHARE CAPITAL

	2019	2018
Authorised share capital / issued and fully paid up		
142,271,938 (2018: 142,271,938) share of 100 fils each	14,227	14,227

(i) Names and nationalities of the major equity holders and the number of equity shares held:

Name	Nationality	Number of shares (thousands)	Share holding %
Global Express	Bahraini	11,514	8.1%
Esterad Investment Company B.S.C	Bahraini	9,450	6.6%
Rouben's Stores W.L.L.	Bahraini	6,908	4.9%
Farooq Yusuf Khalil Almoayyed	Bahraini	6,729	4.7%
Bahrain Maritime & Mercantile Intl. Co.	Bahraini	4,299	3.0%

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

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

Categories*	Number of shares (thousands)	Number of equity holders	% of total issued shares
Less than 1%	34,299	543	24%
1% up to less than 5%	87,009	34	61%
5% up to less than 10%	20,964	2	15%
	142,272	579	100%

None of these shareholders have more than 10% of the outstanding shares.

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

(iv) Total number of shares owned by the directors of the Company as at 31 December 2019 was 15,438,648 shares (2018 : 15,869,672 shares).

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

13 EMPLOYEE BENEFITS

	2019	2018
At 1 January	472	424
Charge for the year	124	84
Paid during the year	(50)	(36)
At 31 December	546	472

14 TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	1,679	1,271
Unclaimed dividends	697	1,457
Related parties payable (note 20)	918	708
Other payables	819	751
	4,113	4,187

15 ROYALTY PAYABLE

As per the operating agreement with the Government of Bahrain, the Company is required to pay royalty calculated as a percentage of profit to the Bahrain Airport Company BSC (c), a company owned by the Government of Bahrain

	2019	2018
At 1 January	3,222	2,517
Charge for the year	6,253	5,948
Paid during the year	(5,065)	(5,243)
At 31 December	4,410	3,222

16 REVENUE

	2019	2018
Sales of goods	36,746	35,486
Commissions	859	916
	37,605	36,402

17 OTHER INCOME

	2019	2018
Advertising income	793	871
Beauty advisors income	771	734
Foreign exchange gain	51	136
Other income	61	67
	1,676	1,808

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

18 ADMINISTRATIVE EXPENSES

	2019	2018
Royalty	6,253	5,948
Salaries and related costs	3,877	3,661
Management fees	968	926
Depreciation	790	827
Utilities	561	496
IT expenses	187	196
Directors remuneration	130	130
Other expenses	562	621
	13,328	12,805

Management fee relates to amounts payable to AerRianta International Middle East W.L.L. for management and operational support services provided to the Company based on a management agreement.

19 INCOME FROM INVESTMENT SECURITIES

	2019	2018
Dividend income on investments held at FVTOCI	1,196	1,477
Interest income on bonds	167	177
Realised gain on investments held at FVTPL	11	-
Unrealised gain on investments held at FVTPL	11	8
Investment admin fees	(27)	(18)
At 31 December	1,358	1,644

20 RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

20 RELATED PARTY TRANSACTIONS (continued)

The significant related party balances and transactions (excluding compensation to key management personnel) included in these financial statements are as follows:

Description	Equity-accounted investees	Management Company	Shareholders / entities in which directors are interested	Total
As at 31 December 2019				
<u>Assets</u>				
Receivables	-	199	6	205
Investment in joint venture	1,807	-	-	1,807
<u>Liabilities</u>				
Management fee payable	-	190	-	190
Trade payable	-	691	37	728
For the year ended 31 December 2019				
<u>Income</u>				
Share of profit	60	-	-	60
Commission	-	-	242	242
<u>Expenses</u>				
Purchases	-	5,564	181	5,745
Rental expense	123	-	136	259
Management fees	-	968	-	968
Other expenses	-	126	430	556

Description	Equity-accounted investees	Management Company	Shareholders / entities in which directors are interested	Total
As at 31 December 2018				
<u>Assets</u>				
Receivables	-	485	23	508
Investment in joint venture	2,377	-	-	2,377
<u>Liabilities</u>				
Management fee payable	-	162	-	162
Trade payable	-	429	117	546
For the year ended 31 December 2018				
<u>Income</u>				
Share of loss	(6)	-	-	(6)
Commission	-	-	292	292
Other Income	-	-	22	22
Dividends	50	-	-	50
<u>Expenses</u>				
Purchases	-	7,248	525	7,773
Rental expense	109	-	137	246
Management fees	-	926	-	926
Other expenses	-	126	-	126

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

20 RELATED PARTY TRANSACTIONS (continued)

b) Key management compensation

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

	2019	2018
Board remuneration for the year	130	130
Short term benefits for the year	153	152
Post-employment benefits for the year	4	6
Post-employment benefits payable	49	27
Management fee for the year	968	926

21 APPROPRIATIONS

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

	2019	2018
Interim dividends - 20 fils per share	2,856	2,845
Final cash dividend proposed - 30 fils per share	4,268	4,268
Charity contribution	150	142

22 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company of BD 7,498 (2018: BD 7,470) by the weighted number of ordinary shares as at 31 December 2019.

	Basic & Diluted	
	2019	2018
Profit for the year	7,498	7,470
Weighted average number of shares	142,272	142,272
Earnings per share (fils)	53	53

23 SEGMENTAL INFORMATION

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

24 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

24 FINANCIAL RISK MANAGEMENT (continued)

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

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

a) Credit risk

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

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

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

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

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

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

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

Exposure to credit risk

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

	2019	2018
Bank balances	7,134	7,493
Debt securities	2,564	2,552
Trade and other receivables	1,722	1,000
Related party receivables	205	508
	11,625	11,553

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

24 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Exposure to credit risk (continued)

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

	2019	2018
Bahrain	11,089	10,868
Middle East	455	629
Europe	76	50
Others	5	6
	11,625	11,553

The ageing of receivables at the reporting date was:

	2019		2018	
	Gross	Impairment	Gross	Impairment
Current	394	-	1,045	-
Past due 1-90 days	1,134	-	268	(6)
Past due 91-180 days	341	-	148	(17)
More than 180 days	61	(3)	79	(9)
	1,930	(3)	1,540	(32)

b) Liquidity risk

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

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

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Company incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Interest rate risk

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

(ii) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

24 FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

(ii) Currency risk (continued)

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

	2019	2018
EURO	233	674
GBP	10,677	14,032
CHF	236	108
QAR	3,558	3,369
KWD	744	869
	15,448	19,052

The Company does not perceive that fluctuations in foreign exchange rates will have any significant impact on the income or equity because the exposure to currencies other than US dollar, United Arab Emirates Dirhams, Saudi Arabia Riyal, Qatari Riyal, which are pegged to Bahraini dinars, is not significant.

A one percent increase in the exchange rates at the reporting date will cause a variation by BD 68 thousand (2018: BHD 67 thousand) in the profit or loss and equity. The analysis is performed on the same basis for 2018.

	2019	2018
EURO	1	3
GBP	53	50
CHF	1	-
QAR	4	3
KWD	9	11
	68	67

(iii) Equity price risk

The Company's quoted equity investments are listed on Bahrain Stock Exchange ("BSE"), Kuwait Stock Exchange ("KSE"), Kingdom of Saudi Stock exchange ("Tadawul"), Qatar Stock exchange (QE) and United Arab Emirates Stock exchange NASDAQ. A one percent increase/decrease in the equity prices at the reporting date will cause a variation of equity by BD 191,899 (2018: BD 182,298) in the equity. The analysis is performed on the same basis for 2018

d) Capital management

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

e) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

24 FINANCIAL RISK MANAGEMENT (continued)

e) Fair value (continued)

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

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

(i) Financial instruments measured at fair value

2019	Level 1	Level 2	Level 3	Total
Equity securities at FVTOCI	19,190	-	6,701	25,891
Funds at FVTPL	-	1,319	-	1,319

2018	Level 1	Level 2	Level 3	Total
Equity securities at FVTOCI	18,230	-	7,271	25,501
Funds at FVTPL	-	1,383	-	1,383

The fair value of debt securities at amortised cost with carrying value BD 2,564 is BD 2,531. Fair value is classified as Level 2. The carrying value of the Company's other financial assets and financial liabilities approximates their fair value due to their short-term nature.

(ii) Assets not measured at fair value where fair value is disclosed

2019	Level 1	Level 2	Level 3	Total
Investment property	-	6,786	3,959	10,745

2018	Level 1	Level 2	Level 3	Total
Investment property	-	6,488	4,320	10,808

Sensitivity Analysis

'Investments at fair value though comprehensive include investments in unquoted equity securities. The main principles, estimates and assumptions adopted to arrive at fair value include estimated future cash flows which have been provided by the management of the investee companies, have been reviewed for reasonableness by the Company and the external independent valuer.

2019

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2019	Reasonable possible shift +/- (in any input)	Reasonable possible shift +/- (in any input)
Discounted cash flow	Discount rate	4,788	+/- 0.5%	+35 -34
Adjusted Net Assets Value	NAV	1,000	+/- 5%	+53 -54
Market multiples	P/E Multiple	602	+/- 5%	+41 -41

2018	Valuation technique used	Key unobservable inputs	Fair value at 31 December 2018	Reasonable possible shift +/- (in any input)	Reasonable possible shift +/- (in any input)
	Discounted cash flow	Discount rate	5,453	+/- 0.5%	+60 -59
	Adjusted Net Assets Value	NAV	1,000	+/- 5%	+457 -414
	Market multiples	P/E Multiple	818	+/- 5%	+41 -41

NOTES TO THE FINANCIAL STATEMENTS

for year ended 31 December 2019

Bahraini Dinars '000s

24 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

f) Categorization of financial instruments

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

2019	FVTOCI	FVTPL	Amortised cost	Total carrying amount
Investment securities	25,891	1,319	2,564	29,774
Trade and other receivables	-	-	2,448	2,448
Other assets	-	-	1,866	1,866
Cash and bank balances	-	-	7,242	7,242
	25,891	1,319	14,120	41,330
Trade and other payables	-	-	4,113	4,113
Royalty payable	-	-	4,410	4,410
	-	-	8,523	8,523

2018	FVTOCI	FVTPL	Amortised cost	Total carrying amount
Investment securities	25,501	1,383	2,552	29,436
Trade and other receivables	-	-	1,813	1,813
Other assets	-	-	1,893	1,893
Cash and bank balances	-	-	7,603	7,603
	25,501	1,383	13,861	40,745
Trade and other payables	-	-	4,187	4,187
Royalty payable	-	-	3,222	3,222
	-	-	7,409	7,409

25 CONTINGENCIES AND COMMITMENTS

	2019	2018
Uncalled face value in unquoted equity investments	1,255	1,942
Property and equipment	-	372
Guarantees	-	55
	1,255	2,369

26 COMPARATIVES

The comparative figures have been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping did not affect the previously reported profit and total comprehensive income for the year or total equity.

