

**Delmon Poultry Company B.S.C.**

Financial statements for the  
year ended 31 December 2018

**Delmon Poultry Company B.S.C.**  
**Financial statements for the year ended 31 December 2018**

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**Delmon Poultry Company B.S.C.**  
**Administration and contact details as at 31 December 2018**

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<b>Commercial registration</b>	10700-1 obtained on 21 July 1980 10700-2 obtained on 2 March 2017
<b>Board of directors</b>	Abdul Rahman Mohamed Jamsheer (Chairman) Abdulhussain Khalil Dewani (Vice Chairman) Yousuf Saleh Al Saleh Abdulredha Mohamed Al Daylami Talal Mohamed Abdulla Al Mannai Ebrahim Abdali Al Daaysi Jaffar Mohamed Ali Al Dhaif Mohamed Jehad Bukamal Isa Mohamed Abdulrahim Alrafaei Fouad Ebrahim Yousif Almutawa
<b>Executive Committee</b>	Yousuf Saleh Al Saleh (Chairman) Abdul Rahman Mohamed Jamsheer (Vice Chairman) Mohamed Jehad Bukamal Isa Mohamed Abdulrahim Alrafaei
<b>Audit Committee</b>	Talal Mohamed Abdulla Al Mannai (Chairman) Abdulhussain Khalil Dewani Jaffar Mohamed Ali Al Dhaif Fouad Ebrahim Yousif Almutawa
<b>Governance Committee</b>	Fouad Ebrahim Yousif Almutawa (Chairman) Abdulredha Mohamed Al Daylami Jaffar Mohamed Ali Al Dhaif
<b>Nomination and Remuneration Committee</b>	Abdulredha Mohamed Al Daylami (Chairman) Abdulhussain Khalil Dewani Ebrahim Abdali Al Daaysi
<b>Strategic planning and development Committee</b>	Isa Mohamed Abdulrahim Alrafaei (Chairman) Mohamed Jehad Bukamal Ebrahim Abdali Al Daaysi Talal Mohamed Abdulla Al Mannai
<b>General Manager</b>	Abdulhadi Mirza Jaffar

**Delmon Poultry Company B.S.C.**  
**Administration and contact details as at 31 December 2018 (continued)**

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

**Delmon Poultry Company B.S.C.  
Directors' report for the year ended 31 December 2018**

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Dear Shareholders,

On behalf of myself and members of the board of Directors, it gives me great pleasure to present the report of the Board of Directors of Delmon Poultry Company B.S.C. for the year ended 31 December 2018.

The year 2018 witnessed strategic achievements that have transformed the performance of the Company across all aspects of production. The Feed Mill Factory have managed to increase its sales volume by 28% from 30 thousand metric tons in 2017 to approximately 39 thousand metric tons in 2018. Special emphasis was placed on the local market sales of feeds as it comprised 43% of sales compared to 38% in 2017.

The plant has entered and effected an agreement with the Swiss company Buhler that entails the upgradation of two feed production lines as part of the second stage of restructuring operations.

In the chicken processing plants, chicken burger and nuggets as well seven other new products were introduced to the local retail market and restaurant and fast food supplies. In terms of enhancing customer service, improvement to the timing and terms of delivery were implemented to correspond more closely to the needs of customers. This has contributed to sales of BD 8.9 million compared to BD 8.3 million in the year 2017 increasing by 7%. The processing plant have also recycled 700 metric tons of waste into protein product for export.

In the Hatchery plant, sales of chicks in the year 2018 have increased to BD 9.6 million heads up from BD 9 million in 2017 at a rate of 7%. The cost of production was reduced to 174 fils per chick from 177 fils in 2017. Also Delmon was able to provide improved technical support for farmers.

The experience of the executive management and the guidance of Company's board of directors form the largest supporter of the continuation of the development process and open up the prospects of the Company's strategic development.

#### **Financial highlights**

Gross sales have increased by 6% over 2017 amounting to BD 15.9 million in 2018 which translated into operating profits of BD 278 thousand in the year 2018 compared to a loss of BD 450 thousand in 2017 with increase of 162% in profit. The improved profitability is attributable to lower production costs together with the introduction of burger, nuggets and other new products and the adjustment increase of feeds mill selling prices. Operating profits comprised 71% of the Company's net profits for the year 2018.

Investment income from securities and associate companies amounted to BD 117 thousand compared to BD 136 thousand in 2017, Investment income comprised 29% of the Company's net profits for the year 2018.

With respect to associate company - Bahrain Livestock - in which Delmon holds a stake of 36% of total share capital as of 2018, Delmon's share of losses amounted to BD 168 thousand compared to BD 168 thousand in the year 2017. These losses are attributable to the lagging sales as a result of reduction of slaughtering of live sheep and reliance on sales of frozen meat products in response to reduced demand.

With respect to Delmon's Investment in the Omani company Osool Poultry - a venture for the production of mothers of hens which was established by Delmon Poultry and other strategic partners, civil works for the construction of road and fence works has commenced and are due for completion early in 2019. Additionally, independent consultants were hired to review the budgeted costs for the construction of the project and to reconsider technical specifications in an effort to reduce such costs without compromising the required standards of quality.



**Delmon Poultry Company B.S.C.**  
**Directors' report for the year ended 31 December 2018**

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We are pleased to report that, for the first time since the rechanneling of government subsidies, the Company have managed to achieve profits of BD 391 thousand in 2018, compared to a loss of BD 318 thousand in 2017 with increase of 233%, which translates to EPS of 13 fils compared to (-10) fils in 2017. The gross profit margin on operations before indirect expenses amounted to BD 940 thousand compared to BD 131 thousand in 2017.

**The recommendation of Board of Directors for the year ended 31 December 2018:**

Based on the results mentioned above, and the retained earings amounted to BD 1,454,210 as at 31 December 2018, the Board of Directors has decided to recommend to shareholders to approve a cash dividend of 5 fils per share, equivalents to 5% of the paid-up share capital.

**Future Insights:**

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

The Company's Board of Directors is seeking the highest standards and best practices for corporate governance code issued by the Minister of Industry, Commerce and Tourism and the Central Bank of Bahrain, and continuing to seek to enhance the optimal application of all the requirements of the corporate governance charter. The corporate governance report for the year 2018 includes comprehensive details on the disclosures related to corporate governance charter and the Company's compliance towards it.

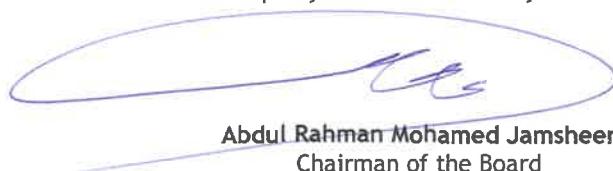
**Thanks and Gratitude:**

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

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

We ask God for success for the good of everyone.

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



Abdul Rahman Mohamed Jamsheer  
Chairman of the Board

12 February 2019

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

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Delmon Poultry Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, the statement other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for opinion

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

##### *Revenue recognition*

Revenue as reported in Note 23 represents sale of chicken, feed and chicks and other miscellaneous income. The Company focuses on revenue as a key performance measure. By default, this area has a fraud risk element and is therefore considered as a significant risk.

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

##### *Valuation of the financial assets at fair value*

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

Our audit procedures included the testing of investments acquired and sold during the year on a sample basis, testing of ownership and classification, testing of fair value of the quoted investments, evaluating other valuation techniques used by the management for the determination of fair values of investments that are not quoted in active markets and assessing the appropriateness of impairment testing performed by the Company's management.

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

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

#### Other information

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

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

#### Responsibilities of management and Those Charged With Governance ("TCWG") for the financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Independent auditors' report to the shareholders of  
Delmon Poultry Company B.S.C. (continued)****Report on the audit of the financial statements (continued)****Auditor's responsibilities for the audit of the financial statements (continued)**

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

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

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

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

**Report on other legal and regulatory requirements**

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

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

b) As required by the order No. (19) of 2018 issued on 29 March 2018 in respect of Article 8 of section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that:

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

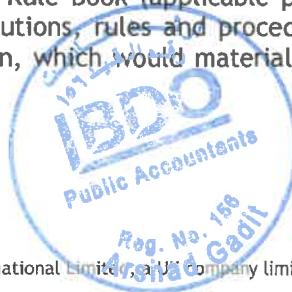
In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2018.

**BDO**

Manama, Kingdom of Bahrain

12 February 2019

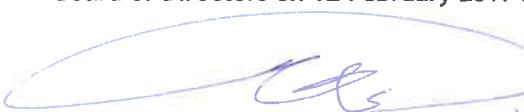
BDO, a Bahraini registered specialised partnership, C.R. No. 10201, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.  
BDO is the brand name for the BDO International network and for each of the BDO Member Firms.



**Delmon Poultry Company B.S.C.**  
**Statement of financial position as at 31 December 2018**  
**(Expressed in Bahraini Dinars)**

	<u>Notes</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,630,176	2,574,476
Investment in an associate	6	1,635,076	1,802,628
Available-for-sale investments	7	-	3,819,084
Financial assets at fair value through other comprehensive income	8	2,971,304	-
Financial assets at fair value through profit or loss	9	668,095	-
Held-to-maturity investments	10	-	1,250,000
Investments at amortised cost	11	750,000	-
		<u>8,654,651</u>	<u>9,446,188</u>
<b>Current assets</b>			
Inventories	12	2,886,343	1,883,678
Trade and other receivables	13	2,414,299	1,664,288
Cash and bank balances	14	331,779	828,627
		<u>5,632,421</u>	<u>4,376,593</u>
<b>TOTAL ASSETS</b>		<u>14,287,072</u>	<u>13,822,781</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	15	3,120,928	3,120,928
Statutory reserve	16(i)	1,560,464	1,560,464
General reserve	16(ii)	3,993,000	3,993,000
Development and raw material reserve	16(iii)	1,000,000	1,000,000
Investment fair value reserve	16(iv)	1,865,423	1,784,847
Retained earnings	16(v)	1,454,210	1,315,749
Treasury shares	15	(118,093)	(118,093)
Total shareholders' equity		<u>12,875,932</u>	<u>12,656,895</u>
<b>Non-current liabilities</b>			
Non-current portion of deferred income	21	53,560	-
Employees' terminal benefits	17	23,685	23,362
		<u>77,245</u>	<u>23,362</u>
<b>Current liabilities</b>			
Short-term borrowings	18	-	70,580
Trade and other payables	19	1,045,635	1,071,944
Bank overdrafts	20	281,325	-
Current portion of deferred income	21	6,935	-
		<u>1,333,895</u>	<u>1,142,524</u>
<b>Total liabilities</b>		<u>1,411,140</u>	<u>1,165,886</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>14,287,072</u>	<u>13,822,781</u>

These financial statements, set out on pages 9 to 49, were approved and authorised for issue by the Board of Directors on 12 February 2019 and signed on their behalf by:



Abdul Rahman Mohamed Jamsheer  
Chairman



Abdulhussain Khalil Dewani  
Vice chairman



Abdulhadi Mirza Jaffar  
General manager

**Delmon Poultry Company B.S.C.**  
**Statement of profit or loss for the year ended 31 December 2018**  
**(Expressed in Bahraini Dinars)**

	<u>Notes</u>	Year ended 31 December 2018	Year ended 31 December 2017
Sales	23	15,883,902	14,430,043
Cost of sales	24	(14,944,121)	(14,298,627)
<b>Gross profit for the year</b>		<b>939,781</b>	<b>131,416</b>
Other operating expenses	25	(725,386)	(587,932)
Other income	22	<u>63,892</u>	<u>6,188</u>
<b>Profit /(loss) from operations</b>		<b>278,287</b>	<b>(450,328)</b>
Investment income	26	255,040	635,854
Unrealised value gains on financial assets at fair value through profit or loss	9	30,275	-
Share of loss in an associate	6	(168,414)	(168,315)
Finance costs		(3,811)	(2,324)
Impairment loss on available for-sale-investments	7	-	(332,499)
<b>Net profit/(loss) for the year</b>		<b><u>391,377</u></b>	<b><u>(317,612)</u></b>
<b>Basic and diluted earnings/(loss) per share</b>	<b>27</b>	<b>Fils 13</b>	<b>Fils (10)</b>

These financial statements, set out on pages 9 to 49, were approved and authorised for issue by the Board of Directors on 12 February 2019 and signed on their behalf by:



Abdul Rahman Mohamed Jamsheer  
Chairman

Abdulhussain Khalil Dewani  
Vice chairman

Abdulhadi Mirza Jaffar  
General manager

**Delmon Poultry Company B.S.C.**  
**Statement of other comprehensive income for the year ended 31 December 2018**  
**(Expressed in Bahraini Dinars)**

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	<u>Notes</u>	Year ended 31 December 2018	Year ended 31 December 2017
<b>Net profit/(loss) for the year</b>		<b>391,377</b>	<b>(317,612)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Valuation gains on financial assets at fair value through other comprehensive income	8	76,144	-
<i>Items that will or may be reclassified into profit or loss:</i>			
Valuation losses on available-for-sale investments	7	-	(20,307)
Transferred to statement of profit or loss on impairment of available for-sale-investments		-	5,822
Company's share in associate's other comprehensive income	6	<u>862</u>	<u>(9,920)</u>
<b>Other comprehensive income/(loss) for the year</b>		<b><u>77,006</u></b>	<b><u>(24,405)</u></b>
<b>Total comprehensive income/(loss) for the year</b>		<b><u>468,383</u></b>	<b><u>(342,017)</u></b>

These financial statements, set out on pages 9 to 49, were approved and authorised for issue by the Board of Directors on 12 February 2019 and signed on their behalf by:

Abdul-Rahman Mohamed Jamsheer  
Chairman

Abdulhussain Khalil Dewani  
Vice chairman

Abdulhadi Mirza Jaffar  
General manager

**Delmon Poultry Company B.S.C.**  
**Statement of changes in shareholders' equity for the year ended 31 December 2018**  
**(Expressed in Bahraini Dinars)**

	<u>Notes</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Development and raw material reserve</u>	<u>Investment fair value reserve</u>	<u>Retained earnings</u>	<u>Treasury shares</u>	<u>Total</u>
As at 31 December 2016									
Dividend distributed for 2016	28	3,120,928	1,560,464	3,993,000	1,000,000	1,809,252	1,939,554 (306,193)	(116,266) -	13,306,932 (306,193)
Purchase of treasury shares		-	-	-	-	-	-	(1,827)	(1,827)
Total comprehensive loss for the year		-	-	-	-	(24,405)	(317,612)	-	(342,017)
As at 31 December 2017									
Effect of adoption of IFRS 9	2	3,120,928	1,560,464	3,993,000	1,000,000	1,784,847 (3,292)	1,315,749 (92,988)	(118,093) -	12,656,895 (96,280)
Adjusted balance at 1 January 2018									
Total comprehensive income for the period									
Movement in investment fair value reserve on disposal of financial assets at fair value through other comprehensive Income									
Dividend distributed for 2017	28						6,862 (153,066)	(6,862) -	(153,066)
At 31 December 2018		3,120,928	1,560,464	3,993,000	1,000,000	1,865,423	1,454,210 (118,093)	(118,093) -	12,875,932

**Delmon Poultry Company B.S.C.**  
**Statement of cash flows for the year ended 31 December 2018**  
**(Expressed in Bahraini Dinars)**

	<u>Notes</u>	Year ended 31 December 2018	Year ended 31 December 2017
<b>Operating activities</b>			
Net profit/(loss) for the year		391,377	(317,612)
Adjustments for:			
Depreciation	5	386,464	319,276
Loss/(profit) on sale of property, plant and equipment	24		(4,093)
Unrealized fair value gains on financial assets at fair value through profit or loss		(30,275)	-
Profit on sale of available-for-sale investments		-	(383,552)
Impairment loss on available-for-sale investments	7	-	332,499
Share of loss from an associate	6	168,414	168,315
Interest income	26	(86,411)	(95,595)
Dividends income	26	(168,629)	(156,707)
Changes in operating assets and liabilities:			
Inventories		(1,002,665)	750,440
Trade and other receivables		(846,291)	(180,771)
Trade and other payables		(16,174)	(58,368)
Employees' terminal benefits, net		323	7,051
Net cash (used in)/provided by operating activities		(1,203,843)	380,883
<b>Investing activities</b>			
Purchase of property, plant and equipment	5	(442,228)	(698,374)
Purchase of available for-sale-investments		-	(794,560)
Proceed from matured investments at amortised cost		500,000	-
Proceeds from sale of available for-sale-investments		-	538,320
Proceeds from disposal of financial assets at fair value through other comprehensive income		286,104	-
Net movement in term deposits		-	351,673
Proceeds from sale of property, plant and equipment		40	6,597
Interest income received	26	86,411	95,595
Dividends income received	26	168,629	156,707
Net cash provided by/(used in) investing activities		598,956	(344,042)
<b>Financing activities</b>			
Purchase of treasury shares	15	-	(1,827)
Net movement in deferred income		60,495	-
Net movement in short-term borrowing		(70,580)	70,580
Dividends paid	28	(163,201)	(307,515)
Net cash used in financing activities		(173,286)	(238,762)
<b>Net decrease in cash and cash equivalents</b>		(778,173)	(201,921)
Cash and cash equivalents, beginning of the year		828,627	1,030,548
Cash and cash equivalents, end of the year		50,454	828,627
Comprising: Cash and bank balances	14	331,779	828,627
Bank overdrafts	20	(281,325)	-
		50,454	828,627

**Delmon Poultry Company B.S.C.**

**Notes to the financial statements for the year ended 31 December 2018**  
**(Expressed in Bahraini Dinars)**

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**1 Organisation and activities**

Delmon Poultry Company B.S.C. ("the Company") is a public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 10700-1 obtained on 21 July 1980 and commercial registration number 107001-2 obtained on 2 March 2017.

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

- Facilities for processing, packing and storing frozen chicken;
- Feed factories;
- Integrated project for broiler meat;
- Distribution network affording easy accessibility for consumers; and
- Similar or supporting activities in Bahrain or abroad.

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

Current operations, all in Bahrain, are as follows:

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

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

**2 Basis of preparation**

***Statement of compliance***

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

***Basis of presentation***

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

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

***Functional and presentation currency***

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

## 2 Basis of preparation (continued)

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

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

### *Standards, amendments and interpretations effective and adopted in 2018*

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2018 and has been adopted in the preparation of these financial statements:

<b>Standard or interpretation</b>	<b>Title</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

### **IFRS 9 - “Financial Instruments”**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are as set out in Note 3. In accordance with the exemptions available as per the transitional provisions in IFRS 9, the standard is applied using the cumulative catch-up method and the comparative figures have not been restated.

### *Impact of adoption*

#### a) Reclassification from available-for-sale to financial assets at fair value through profit or loss

Investments in managed funds amounting to BD637,820 were reclassified from available-for-sale to financial assets at fair value through profit or loss as at 1 January 2018. Due to puttable nature of these investments although they meet the hold to collect and sell criteria, these instruments do not meet the solely payments of principal and interest (SPPI) criteria therefore are classified as fair value through profit or loss, being the residual category under IFRS 9.

As a result of the reclassification, the related fair value loss of BD3,292 up to 31 December 2017 was transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. For the year ended 31 December 2018, net fair value gains of BD30,275 relating to these investments has been recognised in the statement of profit or loss.

#### b) Equity investments previously classified as available-for-sale

The Company elected to present in other comprehensive income, changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of BD3,181,264 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income and stated as non-current. There was no impact on the fair value reserve related to those investments amounting to BD1,774,496 in the statement of financial position as at 31 December 2017.

**2 Basis of preparation (continued)**

***Standards, amendments and interpretations effective and adopted in 2018 (continued)***

**IFRS 9 - "Financial Instruments" (continued)**

***Impact of adoption (continued)***

**c) Reclassification from held-to-maturity to amortised cost**

Bonds which were previously classified as held-to maturity amounting to BD1,250,000 have been reclassified at amortised cost. The Company intends to hold these investments to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Therefore, for these held to maturity investments there was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognised in opening retained earnings and only classification change as financial assets at amortised cost.

**d) Trade and other receivables**

IFRS 9 has fundamentally changed the loan loss impairment methodology. The standard has replaced IAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. The Company is required to record an allowance for expected losses for all trade receivables and other debt type financial assets not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Company has established a policy to perform an assessment by considering the change in the risk of default occurring over the remaining life of the financial instrument. To calculate ECL, the Company has estimated the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between: the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive, discounted at the effective interest rate of the loan. The Company has applied an expected credit loss model to calculate impairment loss on its trade and other receivables and recorded an additional provision of BD96,280 on 1 January 2018.

The table below summarize the impact of transition to IFRS 9:

	<u>Impact on adoption IFRS 9 on opening balance</u>
Retained earnings as at 31 December 2017	1,315,749
Less : recognition of expected credit loss under IFRS 9	(96,280)
Add : transferred from investments fair value reserve	<u>3,292</u>
Adjusted retained earning as at 1 January 2018	<u>1,222,761</u>

**Delmon Poultry Company B.S.C.**

Notes to the financial statements for the year ended 31 December 2018

(Expressed in Bahraini Dinars)

**2 Basis of preparation (continued)**

***Standards, amendments and interpretations effective and adopted in 2018 (continued)***

**IFRS 9 - “Financial Instruments” (continued)**

***Impact of adoption (continued)***

The effect of adopting IFRS 9 on the carrying amounts as at 31 December 2017, the adjusted balances as at 1 January 2018 and each affected line items in the financial statements are as follow:

<b>Statement of financial position</b>	<b>As reported under IAS 39</b>	<b>Effect</b>	<b>New amounts under IFRS 9</b>	<b>As at 31 December 2018</b>
Available-for-sale investments	3,819,084	(3,819,084)	-	-
Financial assets at fair value through other comprehensive income	-	3,181,264	3,181,264	2,971,304
Financial assets at fair value through profit or loss	-	637,820	637,820	668,095
Held-to-maturity investments	1,250,000	(1,250,000)	-	-
Investments at amortised cost	-	1,250,000	1,250,000	750,000
Trade and other receivables	1,664,288	(96,280)	1,568,008	2,414,299
Investment fair value reserve	1,784,847	(3,292)	1,781,555	1,865,423
Retain earnings	1,315,749	(92,988)	1,222,761	1,454,210
<b>Statement of profit or loss</b>	<b>As reported under IAS 39</b>	<b>Effect</b>	<b>New amounts under IFRS 9</b>	<b>As at 31 December 2018</b>
Provision of impaired trade receivables	-	96,280	96,280	63,720

**IFSR 15- “Revenue from Contracts with Customers”**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Upon transition to IFRS 15 on 1 January 2018, there was no impact on the Company’s financial position and results of operations.

***Standards, amendments and interpretations issued and effective in 2018 but not relevant***

The following new other standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2018 or subsequent periods, but are not relevant to the Company’s operations:

**Delmon Poultry Company B.S.C.**

Notes to the financial statements for the year ended 31 December 2018

(Expressed in Bahraini Dinars)

**2 Basis of preparation (continued)**

***Standards, amendments and interpretations issued and effective in 2018 but not relevant (continued)***

<b>Standard or interpretation</b>	<b>Title</b>	<b>Effective for annual periods beginning on or after</b>
IAS 28	Investments in associates	1 January 2018
IFRS 1	First-time adoption of International Financial Reporting Standards	1 January 2018
IFRS 2	Share-based payment	1 January 2018
IFRS 4	Insurance contracts	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018

***Standards, amendments and interpretations issued but not yet effective in 2018***

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2018. They have not been adopted in preparing the financial statements for the year ended 31 December 2018 and are expected to affect the Company in the period of initial application. In all cases, the Company intends to apply these standards from application date as indicated in the table below:

<b>Standard or Interpretation</b>	<b>Title</b>	<b>Effective for annual periods beginning on or after</b>
IAS 12	Income taxes	1 January 2019
IAS 19	Employee benefits	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IAS 40	Investment properties	1 July 2018
IFRS 3	Business combinations	1 January 2019
IFRS 11	Joint arrangements	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

There would have been no change in the operational results of the Company for the year ended 31 December 2018 had the Company early adopted any of the above standards applicable to the Company except for IFRS 16, the impact of which is being assessed by the Company which is not expected to be significant due to handful of low value of leases the Company has signed up to.

***IFRS 16 - "Leases"***

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Company does not intend to adopt the standard before its effective date.

***Early adoption of amendments or standards in 2018***

The Company did not early-adopt any new or amended standards in 2018.

**Delmon Poultry Company B.S.C.**

**Notes to the financial statements for the year ended 31 December 2018**

**(Expressed in Bahraini Dinars)**

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**3 Significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements is set out below. These policies have been constantly applied to all the years presented as stated below, except for those changed due to adoption of IFRS 9 and 15:

***Property, plant and equipment***

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

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

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

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

All depreciation is charged to the statement of profit or loss. When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed and any resultant gain or loss is taken is recognised in the statement of profit or loss.

The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written-down to their recoverable amounts.

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

***Investment in an associate***

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

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

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

**Delmon Poultry Company B.S.C.**  
**Notes to the financial statements for the year ended 31 December 2018**  
**(Expressed in Bahraini Dinars)**

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**3 Accounting policies (continued)**

***Financial assets***

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

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

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

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

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

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

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

*c. Financial assets carried at amortised cost*

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

***Debt instruments***

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

**3 Accounting policies (continued)**

*c. Financial assets carried at amortised cost (continued)*

*Trade and other receivables*

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

*Cash and cash equivalents*

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

*Financial liabilities*

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

*a) Trade and other payables*

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

*b) Borrowings and borrowing costs*

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, these are stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss and comprehensive income in the period in which they are incurred.

*Provisions*

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

*Inventories*

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

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

### **3 Significant accounting policies (continued)**

#### ***Share capital***

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

#### ***Treasury shares***

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

#### ***Deferred revenue***

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

#### ***Employees' benefits***

##### ***Short-term benefits***

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

##### ***Post employment benefits***

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

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

#### ***Revenue recognition***

Revenue is measured at the fair value of the consideration received/receivable. Revenue from sale of chickens, feeds and chicks are recognised when goods are delivered to the customers.

Dividend income from investments is recognised when declared. Bank interest is recognised on accrual basis.

#### ***Other operating expenses***

Overhead expenses are allocated to chickens, feeds and chicks cost center in the ratio of cost of sales.

**3 Significant accounting policies (continued)**

***Proposed appropriations***

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

***Board members' remuneration***

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

***Foreign currency transactions***

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

***Operating leases***

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

**4 Critical accounting judgment and key source of estimation uncertainty**

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

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

- economic useful lives of property, plant and equipment;
- classification of investments;
- fair valuation of investments;
- Impairment of assets
- fair value measurement;
- going concern;
- provisions; and
- contingencies.

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

***Economic useful lives of property, plant and equipment***

The Company's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. Economic useful lives of property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

***Classification of investments***

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

***Fair valuation of investments***

The Company determines fair values of investments that are not quoted in active markets by using valuation techniques such as discounted cash flows and recent transaction prices. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the available-for-sale investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of the management of the investee companies, and based on the latest available audited and un-audited financial statements.

***Impairment of assets***

**(a) Financial assets**

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

**(b) Other non-financial assets**

The carrying amount of the Company's assets or its cash generating unit, other than financial assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset that generates cash flows that largely are independent from other assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

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

***Fair value measurement***

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

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

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Company that either require fair value measurements or only fair value disclosures as at 31 December 2018 is shown in Note 31.

***Going concern***

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

***Provisions***

The Company creates provision for impaired trade and other receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2018, in the opinion of the management, a provision of BD63,720 (2017: BD4,369) is required for impaired trade and other receivables. When evaluating the adequacy of the provision for impaired trade receivables, management bases its estimate on current overall economic conditions, ageing of the trade receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the provision for impaired trade receivables recorded in the financial statements.

The Company also creates provision for obsolete and slow-moving inventories. At 31 December 2018, in the opinion of the Company's management, no provision was required for obsolete and slow-moving inventories (2017: BDNil). When evaluating the adequacy of an allowance for obsolete and slow-moving inventories, management bases its estimate on current overall economic conditions, ageing of the inventories, historical write-off experience, and non movements in inventories. Changes in the economy, industry or specific inventory conditions may require adjustments to the allowance for obsolete and slow moving inventories recorded in the financial statements.

***Contingencies***

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

**Delmon Poultry Company B.S.C.**  
**Notes to the financial statements for the year ended 31 December 2018**  
**(Expressed in Bahraini Dinars)**

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**5 Property, plant and equipment**

<b>Cost</b>	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture, vehicles, tools, IT and software</u>	<u>Total</u>
At 31 December 2016	3,875,672	5,426,723	2,246,884	11,549,279
Adjustments	190	10,654	11,570	22,414
Additions	99,121	380,828	218,425	698,374
Disposals	-	(164,762)	(44,076)	(208,838)
At 31 December 2017	3,974,983	5,653,443	2,432,803	12,061,229
Additions	57,765	118,890	265,573	442,228
Disposals	-	-	(1,551)	(1,551)
At 31 December 2018	<u>4,032,748</u>	<u>5,772,333</u>	<u>2,696,825</u>	<u>12,501,906</u>
<b>Accumulated depreciation</b>				
At 31 December 2016	3,476,204	4,227,109	1,648,084	9,351,397
Adjustments	186	24,397	(2,169)	22,414
Charge for the year	37,373	125,991	155,912	319,276
On disposals	-	(164,762)	(41,572)	(206,334)
At 31 December 2017	3,513,763	4,212,735	1,760,255	9,486,753
Charge for the year	40,839	154,403	191,222	386,464
On disposals	-	-	(1,487)	(1,487)
At 31 December 2018	<u>3,554,602</u>	<u>4,367,138</u>	<u>1,949,990</u>	<u>9,871,730</u>
<b>Net book value</b>				
At 31 December 2018	<u>478,146</u>	<u>1,405,195</u>	<u>746,835</u>	<u>2,630,176</u>
At 31 December 2017	<u>461,220</u>	<u>1,440,708</u>	<u>672,548</u>	<u>2,574,476</u>

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Cost of sales (Note 24)	335,008	271,099
Other operating expenses (Note 25)	51,456	48,177
	<u>386,464</u>	<u>319,276</u>

The reclaimed land at Mina Salman on which the feedmill was built, the land at Hamala on which the administration and the slaughter house, and the land at Buhair on which chicks hatchery is built are all leased by the Company from the Government. The lease rent amount for 2018 was BD26,500 (2017: BD26,500).

**Delmon Poultry Company B.S.C.**  
**Notes to the financial statements for the year ended 31 December 2018**  
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**6 Investment in an associate**

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

<u>Name of associate company</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest 2018</u>	<u>Effective ownership interest 2017</u>	
		<u>Carrying amount</u>	<u>Goodwill</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Bahrain Livestock Company B.S.C. (c)	Kingdom of Bahrain	Import, export and sale of livestock	<u>36.26%</u>	<u>36.26%</u>	
Opening balance		1,741,544	61,084	1,802,628	1,980,863
Company's share in loss for the year		(168,414)	-	(168,414)	(168,315)
Company's share of the associate's net change in fair value of the investments and other reserves		<u>862</u>	<u>-</u>	<u>862</u>	<u>(9,920)</u>
Closing balance		<u>1,573,992</u>	<u>61,084</u>	<u>1,635,076</u>	<u>1,802,628</u>
<b>Summary of financial information of associate</b>			<u>31 December 2018</u>	<u>31 December 2017</u>	
Current assets			4,888,085	5,088,633	
Non-current assets			<u>805,346</u>	<u>939,775</u>	
<b>Total assets</b>			<u>5,693,431</u>	<u>6,028,408</u>	
Current liabilities			<u>1,352,583</u>	<u>1,225,969</u>	
<b>Total liabilities</b>			<u>1,352,583</u>	<u>1,225,969</u>	
Net assets			<u>4,340,848</u>	<u>4,802,439</u>	
Company share of net assets (36.26%)			<u>1,573,992</u>	<u>1,741,544</u>	
Revenue			5,792,836	7,711,744	
Expenses			<u>(6,256,841)</u>	<u>(8,174,307)</u>	
<b>Net loss</b>			<u>(464,005)</u>	<u>(462,563)</u>	
<b>Company's share of net loss for the year</b>			<u>(168,414)</u>	<u>(168,315)</u>	
<b>Other comprehensive income/(loss)</b>			<u>2,377</u>	<u>(27,358)</u>	
<b>Company's share of other comprehensive income/(loss)</b>			<u>862</u>	<u>(9,920)</u>	

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

**Delmon Poultry Company B.S.C.**

Notes to the financial statements for the year ended 31 December 2018

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**7 Available-for-sale investments**

	31 December 2018	31 December 2017
Opening balance	3,819,084	3,526,276
Transfer to financial asset at fair value through other comprehensive income on adoption of IFRS 9 (Note 8)	(3,181,264)	-
Transfer to financial asset at fair value through other profit or loss adoption of IFRS 9 (Note 9)	(637,820)	-
Change in fair value loss for the year	(20,307)	-
Additions	794,560	-
Disposals	<u>(148,946)</u>	<u>-</u>
Impairment loss on available-for-sale investments	4,151,583	(332,499)
Closing balance	<u>3,819,084</u>	<u>-</u>

**8 Financial assets at fair value through other comprehensive income**

	31 December 2018	31 December 2017
Reclassification from available for sales on adoption of IFRS 9 (Note 7)	3,181,264	-
Change in fair value gains recognised in statement of other comprehensive income	76,144	-
Disposals during the year	<u>(286,104)</u>	<u>-</u>
Closing balance	<u>2,971,304</u>	<u>-</u>
<i>Analysis of investments</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Quoted equity securities	2,625,692	-
Unquoted equity securities	<u>345,612</u>	<u>-</u>
	<u>2,971,304</u>	<u>-</u>

The investments are denominated in the following currencies:

Currency (Equivalent in Bahraini Dinars)	31 December 2018	31 December 2017
Bahraini Dinars	1,956,748	-
United States Dollars	703,439	-
Omani Riyal	310,684	-
UAE Dirhams	<u>433</u>	<u>-</u>
	<u>2,971,304</u>	<u>-</u>

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

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

**Delmon Poultry Company B.S.C.**

**Notes to the financial statements for the year ended 31 December 2018**

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

	31 December 2018	31 December 2017
Reclassification from available for sales on adoption of IFRS 9 (Note 7)	637,820	-
Unrealised fair value gains for the year	<u>30,275</u>	-
<b>Closing balance</b>	<b><u>668,095</u></b>	-

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

Currency (Equivalent in Bahraini Dinars)	31 December 2018	31 December 2017
United States Dollars	318,571	-
Great British Pounds	<u>349,524</u>	-
	<b><u>668,095</u></b>	-

The fair value of this managed funds is based on the fund managers valuation received as at 31 December 2018.

**10 Held-to-maturity investments**

	31 December 2018	31 December 2017
Opening balance	1,250,000	1,250,000
Transferred to investments at amortised cost on adoption of IFRS 9 (Note 11)	<u>(1,250,000)</u>	-
<b>Closing balance</b>	<b>-</b>	<b><u>1,250,000</u></b>

In 2017, held-to-maturity investments represent Government of Kingdom of Bahrain bonds carrying coupon interest ranging between 3.00% to 5.50% and having maturity period ranging between 3 years to 8 years.

Held-to-maturity investments are denominated in Bahraini Dinars.

**Delmon Poultry Company B.S.C.**  
**Notes to the financial statements for the year ended 31 December 2018**  
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**11 Investments at amortised cost**

	31 December 2018	31 December 2017
Reclassified from held-to-maturity investments on adoption of IFRS 9 (Note 10)	1,250,000	-
Matured during the year	<u>(500,000)</u>	<u>-</u>
	<u>750,000</u>	<u>-</u>

<i>Analysis of investments</i>	31 December 2018	31 December 2017
Bahrain government development bonds	500,000	-
Islamic leasing sukuk Kingdom of Bahrain	<u>250,000</u>	<u>-</u>
	<u>750,000</u>	<u>-</u>

Investments at amortised cost represent Government of Kingdom of Bahrain bonds carrying coupon interest ranging between 4.5% to 5.50% (2017: Nil) and having maturity period ranging between 1 years to 7 years (2017: Nil)

Investments at amortised cost are denominated in Bahraini Dinars.

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

**12 Inventories**

	31 December 2018	31 December 2017
Finished goods		
- Feed	533,535	23,387
- Frozen/chilled chicken	184,077	39,687
Hatching eggs - hatchery	129,088	87,948
Raw material and packing materials	958,223	654,128
Spare parts for plant and machinery	<u>1,081,420</u>	<u>1,078,528</u>
	<u>2,886,343</u>	<u>1,883,678</u>

**13 Trade and other receivables**

	31 December 2018	31 December 2017
Gross receivables	1,651,905	957,858
Less: provision for impairment	<u>(63,720)</u>	<u>(4,369)</u>
Advances to suppliers	1,588,185	953,489
Other receivables	739,165	531,156
Less: impairment provision on other receivables	<u>102,477</u>	<u>195,171</u>
	<u>(15,528)</u>	<u>(15,528)</u>
	<u>2,414,299</u>	<u>1,664,288</u>

**Delmon Poultry Company B.S.C.**

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**13 Trade and other receivables (continued)**

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

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

	31 December 2018	31 December 2017
Balance as at 31 December	4,369	4,369
Increase in provision for impaired trade receivables upon adoption of IFRS 9 (Note 3) on 1 January 2018	<u>96,280</u>	-
Adjusted balance as at 1 January 2018	100,649	4,369
Provision during the year	3,291	-
Provision written back during the year (Note 19)	(25,584)	-
Provision written-off during the year	(14,636)	-
Balance as at 31 December	<u>63,720</u>	<u>4,369</u>

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

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

On that basis, the allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

31 December 2018	0-30 days overdue	30-60 days overdue	60-90 days overdue	90+ days overdue	Total
Expected loss rate	1.44%	1.53%	1.61%	85.02%	
Trade receivables	489,379	157,541	29,575	63,270	739,764
Government and farmers*	-	-	-	-	912,141
Loss allowance	<u>7,032</u>	<u>2,417</u>	<u>477</u>	<u>53,794</u>	<u>63,720</u>
1 January 2018	0-30 days overdue	30-60 days overdue	60-90 days overdue	90+ days overdue	Total
Expected loss rate	1.39%	1.40%	1.34%	88.77%	
Trade receivables	826,788	36,955	32,297	99,341	995,381
Government and farmers*	-	-	-	-	656,524
Loss allowance	<u>11,516</u>	<u>519</u>	<u>432</u>	<u>88,182</u>	<u>100,649</u>

\*Government and farmer debtors excluded from the calculation:

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

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

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

**Delmon Poultry Company B.S.C.**

**Notes to the financial statements for the year ended 31 December 2018  
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**14 Cash and bank balances**

	31 December 2018	31 December 2017
Current account balances with banks	234,250	469,817
Cash on hand	<u>97,529</u>	<u>358,810</u>
	<u>331,779</u>	<u>828,627</u>

The current account balances with banks are non-interest bearing. Short term borrowings (Note 18) are pledged over a certain current accounts of the Company.

**15 Share capital**

	31 December 2018	31 December 2017
<b>Authorised</b>		
100,000,000 ordinary shares of 100 fils each (2017: 100,000,000 ordinary shares of 100 fils each)	<u>10,000,000</u>	<u>10,000,000</u>
<b>Issued, subscribed and fully paid-up:</b>		
31,209,277 ordinary shares of 100 fils each (2017: 31,209,277 ordinary shares of 100 fils each)	<u>3,120,928</u>	<u>3,120,928</u>
<b>Treasury shares:</b>		
596,308 treasury shares (2017: 596,308 shares)	<u>118,093</u>	<u>118,093</u>

No ordinary shares were acquired by the company in 2018. During 2017, 6,300 ordinary shares were acquired by the Company at an average rate 290 fils. The consideration paid was BD1,827 on these shares has been recorded under treasury shares.

**Additional information on shareholding pattern**

- i) The names and nationalities of the major shareholders holding 5% or more of the issued shares as at 31 December 2018 and 31 December 2017 are as follows:

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

<b>2017</b>	<b>Nationality</b>	<b>Number of shares</b>	<b>Percentage of share- holding interest</b>
Social Insurance Organization	Bahraini	6,002,032	19.23%
Bahrain Mumtalakat Holding Co B.S.C. (c)	Bahraini	4,681,383	15.00%
Trafco Group B.S.C.	Bahraini	3,159,366	10.12%
Abdulhameed Zainal Mohammed	Bahraini	2,319,630	7.43%
Fouad Ebrahim Yusuf Al Mutawa	Bahraini	2,004,020	6.42%

**Delmon Poultry Company B.S.C.**  
**Notes to the financial statements for the year ended 31 December 2018**  
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**15 Share capital (continued)**

**Additional information on shareholding pattern (continued)**

- ii) The Company has only one class of equity shares and the holders of the shares have equal voting rights.
- iii) The distribution of the Company's equity shares analysed by the number of shareholders and their percentage of shareholding as at 31 December is set out below:

	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares *</u>
<b>2018</b>			
Less than 1%	1,506	9,841,338	31.53%
Between 1% and 5%	6	3,201,508	10.26%
Between 5% and 10%	2	4,323,650	13.85%
Between 10% and 20%	3	<u>13,842,781</u>	<u>44.35%</u>
	<u>1,517</u>	<u>31,209,277</u>	<u>100%</u>
<b>2017</b>			
Less than 1%	1,483	8,822,096	28.27%
Between 1% and 5%	10	5,425,069	17.38%
Between 5% and 10%	2	4,323,650	13.85%
Between 10% and 20%	3	<u>12,638,462</u>	<u>40.50%</u>
	<u>1,498</u>	<u>31,209,277</u>	<u>100.00%</u>

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

- iv) Details of the directors' interests in the Company's shares as at 31 December 2018 and 31 December 2017 are as follows:

	<u>2018 Number of shares</u>	<u>2017 Number of shares</u>
Abdul Rahman Mohamed Jamsheer( <i>Chairman</i> )	157,878	157,878
Abdulhussain Khalil Dewani ( <i>Vice Chairman</i> )	420,420	420,420
Yousuf Saleh Al Saleh	319,200	319,200
Abdulredha Mohamed Al Daylami	21,000	21,000
Talal Mohamed Abdulla Al Mannai	262,500	262,500
Ebrahim Abdali Al Daaysi	105,000	105,000
Jaffar Mohamed Ali Al Dhaif	105,000	105,000
Fouad Ebrahim Yousif Almutawa	<u>2,004,020</u>	<u>2,004,020</u>
	<u>3,395,018</u>	<u>3,395,018</u>

**Delmon Poultry Company B.S.C.**  
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**16 Reserves**

***Reserves***

**(i) Statutory reserve**

In accordance with the provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. As this requirement has been met, no amount has been transferred to the statutory reserve for the year ended 31 December 2018 (2017: BDNil).

**(ii) General reserve**

This is a distributable general reserve intended to fund future capital expenditure.

**(iii) Development and raw material reserve**

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

**(iv) Investment fair value reserve**

The fair value reserve includes the gains and losses arising from changes in fair value of financial asset at fair value through other comprehensive income and is recognised in the statement of other comprehensive income. During the year, the unrealised fair value gain amounting to BD77,006 (2017: fair value loss of BD24,405) has been transferred to the investment fair value reserve.

**(v) Retain earnings**

The retain earnings represent the remaining surplus in the equity which available for distribution to the shareholders.

**17 Employees' terminal benefits**

***Local employees***

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2018 amounted to BD144,135 (2017: BD130,629).

***Expatriate employees***

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Opening balance	23,362	16,311
Provision for the year	7,428	7,051
Payment during the year	(7,105)	-
Closing balance	<u>23,685</u>	<u>23,362</u>
The number of staff employed by the Company	<u>198</u>	<u>187</u>

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**18 Short-term borrowings**

	31 December 2018	31 December 2017
Short term loans	<u>—</u>	<u>70,580</u>

Short-term loans represent amounts obtained from the Company's bankers to finance the import purchases of the Company. These loans bear interest at the rate of 3.5% per annum, are pledged over a current accounts (Note 14) of the Company.

**19 Trade and other payables**

	31 December 2018	31 December 2017
Trade payables	481,898	522,163
Unclaimed dividends	227,942	238,077
Provision for board remuneration	26,148	—
Provision for staff related costs	137,877	96,233
Miscellaneous payables	<u>171,770</u>	<u>215,471</u>
	<u>1,045,635</u>	<u>1,071,944</u>

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

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

**20 Bank overdrafts**

	31 December 2018	31 December 2017
Bank overdrafts	<u>281,325</u>	<u>—</u>
Bank overdraft limit	<u>800,000</u>	<u>—</u>

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

**21 Deferred income**

	31 December 2018	31 December 2017
Deferred income	60,495	—
Less: current portion of deferred income	<u>(53,560)</u>	<u>—</u>
Non-current portion of deferred income	<u>6,935</u>	<u>—</u>

Deferred income relates to a grant received from Tamkeen amounting to BD69,352 and recognised as other income over the estimated useful life of the related assets being 10 years. That portion of deferred income which relates to the subsequent period is treated as non-current portion of deferred income.

**Delmon Poultry Company B.S.C.**  
**Notes to the financial statements for the year ended 31 December 2018**  
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**22 Other income**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Provision written back during the year (Note 13)	25,584	-
Miscellaneous income	12,785	2,095
Tamkeen support for purchase of machinery	8,857	-
Other sales	8,189	-
Tamkeen support for wages subsidies	8,477	-
Profit on sale of property, plant and equipment	-	<u>4,093</u>
	<u>63,892</u>	<u>6,188</u>

**23 Segmental information**

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

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

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

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

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**Notes to the financial statements for the year ended 31 December 2018**  
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**23 Segmental information (continued)**

2018	Chicken	Feed	Chicks	Investments	Unallocated	Total
Sales	8,924,888	5,030,923	1,928,091	-	-	15,883,902
Cost of sales	(8,521,852)	(4,819,344)	(1,602,925)	-	-	(14,944,121)
Gross profit	403,036	211,579	325,166	-	-	939,781
Other operating expenses	(408,626)	(231,089)	(76,861)	-	(12,621)	(729,197)
<b>(Loss)/profit from operation</b>	<b>(5,590)</b>	<b>(19,510)</b>	<b>248,305</b>	<b>-</b>	<b>(12,621)</b>	<b>210,584</b>
Investments income	-	-	-	255,040	-	255,040
Share of loss in an associate	-	-	-	(168,414)	-	(168,414)
Other income	3,118	986	2,867	-	56,921	63,892
Unrealised fair value gains on financial assets at fair value through profit or loss	-	-	-	30,275	-	30,275
<b>Segment (loss)/profit for the year</b>	<b>(2,472)</b>	<b>(18,524)</b>	<b>251,172</b>	<b>116,901</b>	<b>44,300</b>	<b>391,377</b>
Additions to property plant and equipment	442,228	-	-	-	-	442,228
<b>Reportable segment assets</b>	<b>3,942,276</b>	<b>2,719,940</b>	<b>451,226</b>	<b>-</b>	<b>1,149,155</b>	<b>8,262,597</b>
Financial assets at fair value through profit or loss						668,095
Financial assets at fair value through other comprehensive income						2,971,304
Investment at amortised cost						750,000
Investment in an associate						1,635,076
<b>Total Company assets</b>						<b>14,287,072</b>
<b>Total segment liabilities</b>	<b>432,688</b>	<b>102,638</b>	<b>10,642</b>	<b>-</b>	<b>865,172</b>	<b>1,411,140</b>

**Delmon Poultry Company B.S.C.**  
**Notes to the financial statements for the year ended 31 December 2018**  
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**23 Segmental information (continued)**

2017	Chicken	Feeds	Chicks	Investments	Unallocated	Total
Sales	8,352,715	4,268,694	1,808,634	-	-	14,430,043
Cost of sales	(8,603,175)	(4,161,584)	(1,533,868)	-	-	(14,298,627)
Gross (loss)/profit	(250,460)	107,110	274,766	-	-	131,416
Other operating expenses	(355,123)	(171,808)	(63,325)	-	-	(590,256)
<b>(Loss)/profit from operation</b>	<b>(605,583)</b>	<b>(64,698)</b>	<b>211,441</b>	<b>-</b>	<b>-</b>	<b>(458,840)</b>
Investments income				635,854		635,854
Share of loss in an associate			-	(168,315)		(168,315)
Other income	3,861	149	984	-	1,194	6,188
Impairment of available-for-sale investments	-	-	-	(332,499)	-	(332,499)
<b>Segment (loss)/profit for the year</b>	<b>(601,722)</b>	<b>(64,549)</b>	<b>212,425</b>	<b>135,040</b>	<b>1,194</b>	<b>(317,612)</b>
<b>Additions to property plant and equipment</b>	<b>319,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>319,276</b>
<b>Total segment assets</b>	<b>3,221,993</b>	<b>1,969,697</b>	<b>593,810</b>	<b>-</b>	<b>1,165,569</b>	<b>6,951,069</b>
Available-for-sale investments						3,819,084
Held-to-maturity investments						1,250,000
Investment in associate						1,802,628
<b>Total Company assets</b>						<b>13,822,781</b>
<b>Total segment liabilities</b>	<b>523,850</b>	<b>203,630</b>	<b>22,895</b>	<b>-</b>	<b>415,511</b>	<b>1,165,886</b>

**24 Cost of sales**

	Chicken	Feed	Chicks	Year ended 31 December 2018	Year ended 31 December 2017
Raw materials costs	6,634,254	4,393,829	1,361,706	12,389,789	11,738,406
Staff costs	901,717	158,940	149,463	1,210,120	1,142,027
Depreciation (Note 5)	244,820	69,735	20,453	335,008	271,099
Other costs	741,061	196,840	71,303	1,009,204	1,147,094
	<b>8,521,852</b>	<b>4,819,344</b>	<b>1,602,925</b>	<b>14,944,121</b>	<b>14,298,626</b>

**Delmon Poultry Company B.S.C.**

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**25 Other operating expenses**

	Year ended 31 December 2018	Year ended 31 December 2017
Staff costs	403,461	316,765
Depreciation (Note 5)	51,456	48,177
Board of directors and executive committee remuneration and fees	81,348	53,600
Professional fees	20,142	14,700
Others expenses	<u>168,979</u>	<u>154,690</u>
	<u>725,386</u>	<u>587,932</u>

**26 Investment income**

	Year ended 31 December 2018	Year ended 31 December 2017
Profit on sale of available-for-sale investments	-	383,552
Interest income	86,411	95,595
Dividend income	<u>168,629</u>	<u>156,707</u>
	<u>255,040</u>	<u>635,854</u>

**27 Earnings per share**

	31 December 2018	31 December 2017
Net profit/(loss) for the year	<u>391,377</u>	<u>(317,612)</u>
Weighted average number of shares outstanding	<u>30,612,969</u>	<u>30,612,969</u>
Earning/(Loss) per share (fils)	<u>Fils 13</u>	<u>Fils (10)</u>

The earnings per share has been computed on the basis of net profit for the year ended 31 December 2018 divided by the weighted average number of shares outstanding for the period total of 31,209,277, net of 596,308 treasury shares. The Company does not have any potentially dilutive ordinary shares; hence the diluted earnings per share and basic earnings per share are identical.

**28 Directors' remuneration and Dividends**

**Directors' remuneration**

**Accrued and expensed**

An amount of BD26,148 has been accrued and expensed as directors' remuneration in 2018, relating to the year ended 31 December 2018 (2017: BDNil). Directors' remuneration is expensed in the statement of profit or loss to the year which it pertains.

**Proposed by the Board of Directors**

The Board of Directors of the Company propose to pay directors' remuneration of BD 26,148 for the year ended 31 December 2018 (2017: BDNil) This is subject to the approval of shareholders in the Annual General Meeting.

**Delmon Poultry Company B.S.C.**  
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**28 Directors' remuneration and Dividends (continued)**

**Dividends**

***Declared and paid***

A dividend of BD153,065 representing 5% (2017:10%) of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2017 at 5 fils per share (2017: BD306,193 for the year ended 31 December 2016 at 10 fils per share) was approved by the shareholders in the Annual General Meeting of the shareholders held on 20 March 2018, declared and subsequently paid.

**Proposed by the Board of Directors**

The Board of Directors of the Company have proposed to pay a cash dividend of BD153,065 at 5 fils per share (2017: BD153,065 at 5 fils per share) representing 5% (2017: 5%) of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2018. The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these financial statements.

**29 Transactions and balances with related parties**

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

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

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

	31 December 2018				31 December 2017			
	Receivables	Payables	Sales	Purchases	Receivables	Payables	Sales	Purchases
Major shareholders	194,757	-	1,054,132	-	84,832	-	916,220	-
Entities controlled by directors	1,533	98	423,495	644,092	25,310	1,590	419,918	701,676
	<u>196,290</u>	<u>98</u>	<u>1,477,627</u>	<u>644,092</u>	<u>110,142</u>	<u>1,590</u>	<u>1,336,138</u>	<u>701,676</u>

**Delmon Poultry Company B.S.C.**

**Notes to the financial statements for the year ended 31 December 2018**

**(Expressed in Bahraini Dinars)**

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**29 Transactions and balances with related parties (continued)**

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

	31 December 2018	31 December 2017
Executive directors' remuneration	18,000	18,000
Board of directors' remuneration	26,148	-
Board of directors' attendance fees	37,200	35,600

**30 Contingent liabilities**

	31 December 2018	31 December 2017
Outstanding letters of credit and guarantees in the ordinary course of business	<u>478,568</u>	<u>146,920</u>

**31 Financial assets and liabilities and risk management**

**Financial assets and financial liabilities.** Financial assets of the Company include cash and cash equivalents, term deposits, trade and other receivable, held-to-maturity investments and available-for-sale investments. Financial liabilities of the Company include trade payables and certain other current liabilities.

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

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

**Delmon Poultry Company B.S.C.**  
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**31 Financial assets and liabilities and risk management (continued)**

A summary of the financial instruments held by category is provided below as at 31 December 2018 and 31 December 2017:

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

**Delmon Poultry Company B.S.C.**

**Notes to the financial statements for the year ended 31 December 2018**  
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**31 Financial assets and liabilities and risk management (continued)**

<u>2017</u>	<u>Loans and Receivables</u>	<u>Available-for-sale</u>	<u>Held-to-maturity</u>	<u>Other amortised cost</u>	<u>Total carrying amount</u>	<u>Fair value</u>
<b>Financial assets:</b>						
Cash and bank balances	828,627	-	-	-	828,627	828,627
Trade and other receivables	1,133,132	-	-	-	1,133,132	1,133,132
Available-for-sale investments	-	3,819,084	-	-	3,819,084	3,819,084
Held-to-maturity investments	-	-	1,250,000	-	1,250,000	1,250,000
	<u>1,961,759</u>	<u>3,819,084</u>	<u>1,250,000</u>	<u>-</u>	<u>7,030,843</u>	<u>7,030,843</u>
<b>Financial liabilities:</b>						
Short-term borrowings	-	-	-	70,580	70,580	70,580
Trade and other payables	-	-	-	<u>1,071,944</u>	<u>1,071,944</u>	<u>1,071,944</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,142,524</u>	<u>1,142,524</u>	<u>1,142,524</u>

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

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

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

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

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

**Delmon Poultry Company B.S.C.**

**Notes to the financial statements for the year ended 31 December 2018**

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**31 Financial assets and liabilities and risk management (continued)**

**Credit risk**

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

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

About 40% (2017:42%) of the sales are received in cash and the balance being made through credit. The Company manages its credit risk on accounts receivables by restricting its credit sales only to approved list endorsed by the General Manager and ensuring that the sales to related parties are as per the internal policies established for transactions with the related parties. Since all of sales of the Company are within Bahrain there is no significant geographical or customer type concentration of credit risk involved in accounts receivable balances. The Company perceives that the account receivable balances are of good credit quality as these are primarily receivable from: a) vendors where the Company has net payable balances, b) customers with good credit standing, and c) related parties with good financial position.

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

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

***Exposure to credit risk***

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

	<u>31 December 2018</u>	<u>31 Decembe 2017</u>
Cash and bank balances	331,779	828,627
Trades and other receivables, net of prepayments	1,675,134	1,133,132
Financial assets at fair value through other comprehensive income	2,971,304	-
Financial assets at fair value through profit or loss	668,095	-
Investment at amortised cost	750,000	-
Available-for-sale investments	-	3,819,084
Held-to-maturity investments	<u>-</u>	<u>1,250,000</u>
	<b><u>6,396,312</u></b>	<b><u>7,030,843</u></b>

**31 Financial assets and liabilities and risk management (continued)**

**Liquidity risk**

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

**Market risk**

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

**Geographical concentration of investments**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Kingdom of Bahrain	<u>3,639,399</u>	<u>3,819,084</u>

Investment fair value sensitivity analysis is as follows:

<u>Description</u>	<u>Change</u>	<u>Impact on equity</u>
Financial assets at fair value	+/-5%	181,960
Financial assets at fair value	+/-10%	363,940

**Other market price risk**

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

**Delmon Poultry Company B.S.C.**

**Notes to the financial statements for the year ended 31 December 2018**

**(Expressed in Bahraini Dinars)**

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**31 Financial assets and liabilities and risk management (continued)**

**Interest rate risk**

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

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

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Investment at amortised cost	<u>750,000</u>	<u>1,250,000</u>

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

**Foreign exchange risk**

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

The Company has exposure to foreign exchange risk on its purchases invoiced in foreign currency, on cash sales in foreign currency and on its certain investment in foreign currency. Predominantly, the purchase of product is from local suppliers. The majority of the foreign currency purchases are in US dollars. The US dollar is pegged against the Bahraini dinar and therefore the company is not exposed to any significant risk.

The Company does not perceive that fluctuations in foreign exchange rates will have any significant impact on the income or equity because the exposure to currencies other than US dollar, which is pegged to Bahraini dinar, is not significant.

**Capital management**

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2018 and 2017.

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**(Expressed in Bahraini Dinars)**

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**31 Financial assets and liabilities and risk management (continued)**

**Capital management (continued)**

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Short-term borrowings	-	70,580
Bank overdrafts	281,325	-
Trade and other payables	1,045,635	1,071,944
Less: cash and bank balances	<u>(331,779)</u>	<u>(828,627)</u>
Net debt	<u>995,181</u>	<u>313,897</u>
Total capital	<u>12,875,932</u>	<u>12,656,895</u>
Total capital and net debt	<u>13,871,113</u>	<u>12,970,792</u>
Gearing ratio	<u>7.17%</u>	<u>2.42%</u>

**Fair value measurement**

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

Financial instruments not measured at fair value on recurring basis include trade and other receivables excluding prepayments, cash and bank balances, term deposits, short-term borrowings and trade and other payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2018 and 2017.

**31 Financial assets and liabilities and risk management (continued)**

**Fair value measurement (continued)**

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

<u>As at 31 December 2018</u>	<u>Fair value</u>	<u>Level of hierarchy</u>	<u>Valuation technique used and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between unobservable inputs and fair value</u>
<u>Financial assets</u>					
Quoted investments	2,625,691 (2017:2,735,589)	L1 Quoted prices from exchanges		Not applicable	Not applicable
Unquoted investments and managed funds	1,013,706 (2017:1,083,492)	L3 Net assets valuation and financial updates received from the respective companies and the fund managers	Expected exit rates, expected future cash flows, net assets and expected profits based taking into account management knowledge and experience of market conditions similar to industry trends.	The higher the future cash flows or profits the higher the fair value of net assets and eventually higher exit rates.	

There are no transfers between levels during the year (2017: None).

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**Notes to the financial statements for the year ended 31 December 2018**

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**31 Financial assets and liabilities and risk management (continued)**

***Fair value (continued)***

In the opinion of Company's management, a reasonable possible change in one significant observable input, holding other input constant of level 3 financial instruments is not expected to have a significant impact on the profit or loss and other comprehensive income as well as fair values of level 3 financial instruments as at 31 December 2018.

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

	<u>Unquoted investments and managed funds</u>
At 31 December 2016	929,216
Purchases during the year	293,496
Impairment losses during the year	(52,052)
Unrealised fair value gain included in other comprehensive income	19,638
Disposals during the year	<u>(106,806)</u>
At 31 December 2017	1,083,492
Disposals during the year	(104,565)
Unrealised fair value gain included in profit or loss	30,275
Unrealised fair value gain included in other comprehensive income	<u>4,504</u>
At 31 December 2018	<u>1,013,706</u>

**32 Subsequent events**

There were no events subsequent to 31 December 2018 and occurring before the date of the approval of the financial statements report that are expected to have a significant impact on these financial statements.