United Gulf Investment Corporation B.S.C.

Consolidated financial statements for the year ended 31 December 2019

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Commercial registration no.	24377-1 obtained on 18 February 1991	
Board of Directors	Rashed Abdullla Al Suwaiket Al Hajri	- Chairman
	Abdulla Fahad Al-Subaie	- Vice - Chairman
	Qusay Khalil Yusuf Al-Khalili	
	Abdulla Mubarak Abdulla Al-Suwaiket	
	Waleed Fahad Al-Tharman	
Authorised persons	Rashed Abdullla Al Suwaiket Al Hajri	
	Qusay Khalil Yusuf Al-Khalili	
Chief Executive Officer and Secretary to the Board	Qusay Khalil Yusuf Al-Khalili	
Audit Committee	Rashed Abdullla Al Suwaiket Al Hajri	- Chairman
	Waleed Fahad Al-Tharman	
Registered office	Office 3202, Building 2504 Road 2832, Block 428 PO Box 10177 Al-Seef District Kingdom of Bahrain	
Principal Bankers	Ahli United Bank Arab National Bank - Dammam Ithmar Bank Alinma Bank	
Auditors	BDO 17th Floor Diplomat Commercial Offices Tower PO Box 787 Manama Kingdom of Bahrain	
Registrars	Karvy Computershare W.L.L. PO Box 514 Manama Kingdom of Bahrain	
	Bahrain Clear Bahrain Financial Harbour Harbour Gate - Level 4 PO Box 3203 Manama Kingdom of Bahrain	

United Gulf Investment Corporation B.S.C.
Director's report to the shareholders for the year ended 31 December 2019

On behalf of the Board of Directors and employees of United Gulf Investment Corporation (UGIC) I would like to review the annual report and financial results of the company for the year ended on December 31, 2019

First, results for the company amounted to net loss of BD 5,681,838 after zakat for year 2019 compared to loss of BD 429,149 in 2018.

Steel sector in Saudi had one of its worst years in 2019, due to many reasons including dumping from outside countries and high cost locally compared to external competitors , as cost increased massively in saudi arabia from huge increase in labour and dependent fees, to high cost of local contractors prices. Hikes in land lease. Nearly all cost items went up in Saudi. As well as a slow down in real estate sector following VAT implementation and expats sending their families back home due to these increases in cost of living in Saudi Arabia.

Therefore, the demand dropped in Saudi Arabia on ferroalloys, which is UGIC's group main sales line. The high electricity cost along with high cost of imported raw material pushed the company into cash loss situation. Whereas global competitors managed to reduce their cost either through subsidized electricity cost or through currency depreciation and utilization of local raw material to be blended with imported raw material. In some areas they developed techniques of bringing down cost of production that we could not utilize due to restrictions of delayed approvals from authorities, and lack of cash due to continuous losses we had. Also, some have limited or no environmental restrictions unlike Saudi Arabia.

The trade wars had its impact on dynamics of our market, where most exporting countries depreciated their currencies such as India, that helped them in their export market and also reduced their local cost which is mainly electricity. Where they export the finished product in USD taking advantage from their government also on hidden support if they export.

The dumping of poor quality and cheap material also intensified in GCC as the US market continued blocking the indian and ukranian material from their market to protect their local ferroalloy producers by imposing duties on them, therefore this material is naturally heading towards GCC that does not impose any duties on imported ferroalloys, and does not protect its market from foreign suppliers, taking advantage of removal of safeguard duty that was imposed by GCC Council in 2017. This gave the external competitors an advantage to sell at lower prices below our cost pf production both inside our local market and to grab our global market share as well where we suffered drops in local sales as well as a drop in our export markets. Through the support of GCC council we will need to file for antidumping cases on these countries to stop these unfair marketing practises.UGIC results worsened unexpectedly due to these reasons where its subsidiary "Gulf Ferro Alloys company- SABAYEK", which specializes in metal alloys is still suffering from the brunt of foreign imports, which come in cheap prices to GCC countries in particular in the UAE, Kuwait, Oman and Bahrain, where products come in cheap prices. UGIC group results were impacted by this continuous pressure on SABAYEK.SABAYEK sales amounted to SR 309 million for 2019 down from SR 410 million in year 2018.

SABAYEK is working on tackling all these issues (filing for antidumping very soon, requesting a reduction in electrify tariff, developing the new projects to reduce the cost, adding new cluster of ferroalloys, developing local raw material). The delay was due to late approvals to start the development projects that are (jigging plant, diversifying its products , where 2 products were added in year 2018 and we hope to add another 2 products in year 2020. SBAAYEK is also working on development, implementation and adaptation of modern technological trends to improve its profit margins. Despite the difficulties it is facing, this industry has started utilizing local GCC raw material to add to the integration of the economy of the Gulf cooperation Council (GCC) and increasing local content to higher levels according to vision 2030, that is inspired by the insights and wisdom of the leaders of the Gulf states (May Allah bless them) towards the development of the Mining industries in the GCC, which will hopefully will give a strong impetus parallel to the petroleum era in the future and to potentially become the future wealth, God willing, that creates promising well-paying jobs for the citizens of the Gulf cooperation Council (GCC). We are looking forward to their necessary support.

Second, in 2019 UGIC's share of profit in "Dhahran Chemical Industries and Marketing" during the year, was about BD17 thousand, down from BD27 thousand in 2018. DCIM has completed acquiring 51% shares of Synthomer Dubai in July 2018. This steep reduction in profits as a result of fierce competition in Saudi Arabia in light of the drop in Real estate market and construction markets accompanying it, along with the changes in KSA such as implementation of VAT, and hike in labour and dependent fees and others. DCIM Saudi should finish its loan in May 2021 that was used to acquire Synthomer Dubai.

Third: we had a delay in United Gulf Trading Company activities due to a delay from local suppliers of raw material yet, we will endeavour its activities in new integrative fields in light of the overall strategy of United Gulf Investment Group, namely in the minerals, mining, raw materials sector and the marketing of products in 2020 with grace of Allah. We will need to issue a CR for UGT in Saudi Arabia.

Outlook:

God willing. UGIC expects that the economic activity will start to move by Q2 2020 and. Accordingly, we expect the year 2020 to witness a mixed demand situation for the year 2020 for SABAYEK and United Gulf Trading Company. If the Saudi government initiates its supporting program for steel industries and its affiliates, the market should recover by Q3 2020. Moreover, SABAYAEK in 2020 will be facing huge pressure from Saudi Electricity Company to settle its dues. We do not expect an easy going year if no support is provided by concerned authorities.

Appropriation/ Recommendations

Based on the financial results, the Board of Directors does not recommend any cash dividends or taking provisions on current investments. Also, recommends continuous diversification in activities and products in subsidiaries and affiliated companies in view of the changes and transformations taking place in the GCC market, increments in cost, Taxes, big increases of fees, and structural changes of the labor market.

Finally, the Chairman and members of the Board of Directors, on his behalf and on behalf of the shareholders, take this opportunity to express his sincere appreciation and thanks to His Majesty King Hamad bin Isa Al Khalifa of Bahrain, His Royal Highness Prince Khalifa bin Salman Al Khalifa, Prime Minister and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Deputy Supreme Commander of the Defense Force, to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and his Royal Highness Crown Prince Mohammad bin Salman of Kingdom of Saudi Arabia, and to their Majesties and Highnesses the leaders of the Gulf Cooperation (GCC) for their continuous support to us.

We also express our condolences to the people of sultanate of Oman and GCC citizens for the loss of sulatan qaboos, and express our congratulation for sultan Haitham bin Tariq.

Our gratitude is also extended to all government authorities specially to, the Ministry of Industry Commerce and Tourism, the Bahrain Bourse, the Central Bank, Capital Markets Supervisory Directorate (CMSD) and the General Secretariat of the Cooperation Council for the Arab Gulf States, wishing all the prosperity and prosperity of the GCC countries in light of this glorious era for its leaders.

Rashed Abdullah Al-Hajri
Chairman

25 February 2020

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Independent auditor's report to the shareholders of United Gulf Investment Corporation B.S.C.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of United Gulf Investment Corporation B.S.C. ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Revenue recognition

Revenue primarily consists of sales as disclosed in Note 22 and other income as disclosed in Note 24 of the consolidated financial statements. Revenue is considered to be a key performance measure and by default, this area has a fraud risk element and is therefore always considered as a significant risk.

Our audit procedures included, considering the appropriateness of the Group's revenue recognition policies and assessing compliance with the policies in light of the applicable accounting standards. We have tested the effectiveness of internal controls implemented by the Group over the revenue cycle and have also performed analytical procedures over the revenue streams and tested the relevant supporting documents on a sample basis to confirm their reasonableness and accuracy.

Classification and valuation of investments

The Group's investments are classified either as investment in associates or financial assets at fair value through profit or loss as disclosed in Notes 7 and 9 to the consolidated financial statements. The valuation and classification of the investments involve significant management judgment and hence contains relatively higher risk element.

Our procedures included testing the management's assessment on classification of the investments with reference to the relevant accounting standards and the related supporting documents. We also tested the reasonableness of fair valuation performed by the management and tested the ownership with reference to the relevant supporting documents.

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Independent auditor's report to the shareholders of United Gulf Investment Corporation B.S.C. (continued)

Report on the consolidated financial statements (continued)

Key audit matters (continued)
Right-of-use of assets and lease liabilities
As described in Note 8 and 19 to the consolidated financial statements, the carrying values of right-of-use of assets and lease liabilities as at 31 December 2019 amounted to BD422,406 and BD684,313, respectively. The useful life of the right-of-use of assets is based on management's estimate of the period that the asset would generate revenue. Similarly, carrying value of lease liabilities are determined on a number of factors including management certainty to exercise the lease options to extend/terminate the lease, variable elements such as future lease payments and incremental borrowing rates. Changes to these assumptions could have a significant impact on either the carrying values or the amount charged to statement of profit or loss or both.

Our procedures included testing the management's assessment on classification of the investments with reference to the relevant accounting standards and the related supporting documents. We also tested the reasonableness of fair valuation performed by the management and tested the ownership with reference to the relevant supporting documents.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged With Governance are responsible for overseeing the Group's financial reporting process.

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

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Independent auditor's report to the shareholders of United Gulf Investment Corporation B.S.C. (continued)

Report on the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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Independent auditor's report to the shareholders of United Gulf Investment Corporation B.S.C. (continued)

Report on other legal and regulatory requirements

a) As required by the Bahrain Commercial Companies Law, in case of the Company, 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 Ministry of Industry, Commerce and Tourism in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:

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

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2019.

BDO

Manama, Kingdom of Bahrain
25 February 2020

BDO Public Accountants Reg. No. 151 Nath Venkitachalam Viswanath

United Gulf Investment Corporation B.S.C.
Consolidated statement of financial position as at 31 December 2019
(Expressed in Bahrain Dinars)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	35,293,094	37,493,410
Investment in an associate	7	929,983	913,107
Right-of-use asset	8	422,406	-
		36,645,483	38,406,517
Current assets			
Financial assets at fair value through profit or loss	9	256,000	256,000
Inventories	10	18,653,121	16,275,306
Trade and other receivables	11	6,745,497	4,803,676
Mudaraba deposits	12	1,903,323	2,142,934
Cash and bank balances	13	4,429,240	10,418,816
		31,987,181	33,896,732
Total assets		68,632,664	72,303,249
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	20,000,000	20,000,000
Statutory reserve	15	2,853,603	2,853,603
Share premium	16	116,328	116,328
Other reserves	16	2,113,464	6,484,698
Equity attributable to the shareholders of the Parent Company		25,083,395	29,454,629
Non-controlling interest	17	5,894,950	7,249,613
		30,978,345	36,704,242
Non-current liabilities			
Non-current portion of term loans	18	24,622,745	25,127,745
Non-current portion of lease liabilities	19	447,638	-
Employees' terminal benefits	20	655,624	593,023
		25,726,007	25,720,768

United Gulf Investment Corporation B.S.C.
Consolidated statement of financial position as at 31 December 2019
(Expressed in Bahrain Dinars)

	Notes	31 December 2019	31 December 2018
Current liabilities			
Current portion of term loans	18	7,127,183	3,434,000
Current portion of lease liabilities	19	236,675	-
Trade and other payables	21	4,564,454	6,444,239
		11,928,312	9,878,239
Total equity and liabilities		68,632,664	72,303,249

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

Rashed Abdullla Al Suwaiket Al Hajri
Chairman

Abdulla Fahad. Al-Subaie
Vice - Chairman

United Gulf Investment Corporation B.S.C.
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019
(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Sales	22	30,985,263	41,005,001
Cost of sales	23	(35,155,134)	(39,406,073)
Gross (loss)/profit		(4,169,871)	1,598,928
Other income	24	211,189	190,807
		(3,958,682)	1,789,735
Expenses			
General and administrative expenses	25	(1,301,987)	(1,425,349)
Finance costs	26	(324,202)	(260,714)
		(1,626,189)	(1,686,063)
Net (loss)/profit for the year before tax and share of profit from investment in an associate		(5,584,871)	103,672
Share of profit from investment in an associate	7	16,876	26,559
Net (loss)/profit for the year before tax		(5,567,995)	130,231
Provision for Zakat	27	(113,843)	(559,380)
Net loss and total comprehensive loss for the year		(5,681,838)	(429,149)
Net loss and total comprehensive loss for the year attributable to:			
Shareholders of the Parent Company		(4,337,890)	(347,381)
Non-controlling interest	17	(1,343,948)	(81,768)
		(5,681,838)	(429,149)
Basic and diluted losses per share attributable to shareholders of the Company	28	(21.69 fils)	(1.74 fils)

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

Rashed Abdullla Al Suwaiket Al Hajri
Chairman

Abdulla Fahad. Al-Subaie
Vice - Chairman

United Gulf Investment Corporation B.S.C.
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2019
(Expressed in Bahrain Dinars)

		Attributable to the shareholders of the Parent Company							
					Other reserves				
	Notes	Share capital	Statutory reserve	Share premium	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total
At 31 December 2017		20,000,000	2,853,603	116,328	4,329,043	2,853,139	30,152,113	7,443,888	37,596,001
Effect of adoption of IFRS 9	11	-	-	-	-	(350,103)	(350,103)	(112,507)	(462,610)
Adjusted balance at 1 January 2018		20,000,000	2,853,603	116,328	4,329,043	2,503,036	29,802,010	7,331,381	37,133,391
Total comprehensive loss for the year		-	-	-	-	(347,381)	(347,381)	(81,768)	(429,149)
At 31 December 2018		20,000,000	2,853,603	116,328	4,329,043	2,155,655	29,454,629	7,249,613	36,704,242
Effect of adoption of IFRS 16	3	-	-	-	-	(33,344)	(33,344)	(10,715)	(44,059)
Adjusted balance at 1 January 2019		20,000,000	2,853,603	116,328	4,329,043	2,122,311	29,421,285	7,238,898	36,660,183
Total comprehensive loss for the year		-	-	-	-	(4,337,890)	(4,337,890)	(1,343,948)	(5,681,838)
At 31 December 2019		20,000,000	2,853,603	116,328	4,329,043	(2,215,579)	25,083,395	5,894,950	30,978,345

United Gulf Investment Corporation B.S.C.
Consolidated statement of cash flows for the year ended 31 December 2019
(Expressed in Bahrain Dinaprs)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Operating activities			
Net loss for the year		(5,681,838)	(429,149)
Adjustments for:			
Depreciation	6	2,217,942	2,341,335
Amortisation of right-of-use asset	8	56,775	-
Share of profit from investment in an associate	7	(16,876)	(26,559)
Reversal of excess provision for impaired trade receivables	24	(95,606)	(88,309)
Interest income	24	(103,281)	(68,571)
Provision for impaired trade receivables	25	150,255	-
Interest expense on term loans	26	264,129	260,714
Interest expense on lease liability	26	60,073	-
Changes in operating assets and liabilities:			
Inventories		(2,377,815)	1,082,627
Trade and other receivables		(1,953,924)	451,805
Trade and other payables		(1,778,785)	1,810,927
Employees' terminal benefits, net		62,601	48,355
Net cash (used in)/provided by operating activities		(9,196,350)	5,383,175
Investing activities			
Purchase of property, plant and equipment	6	(17,626)	(97,780)
Net movement in Mudaraba deposits		239,611	52,783
Interest income received	24	60,735	68,571
Net cash provided by investing activities		282,720	23,574
Financing activities			
Interest expense on term loans paid	26	(264,129)	(260,714)
Proceeds from term loans	33	8,031,201	9,975,659
Repayment of term loans	33	(4,843,018)	(12,870,102)
Net cash provided by/(used in) financing activities		2,924,054	(3,155,157)
Net (decrease)/increase in cash and cash equivalents		(5,989,576)	2,251,592
Cash and cash equivalents, beginning of the year		10,418,816	8,167,224
Cash and cash equivalents, end of the year	13	4,429,240	10,418,816

1 Organisation and activities

United Gulf Investment Corporation B.S.C. ("the Company" or "the Parent Company") and its subsidiaries comprise "the Group". The Company is a public shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 24377 obtained on 18 February 1991.

According to the terms of its Memorandum and Articles of Association, the duration of the Company is for 50 years, renewable for further similar periods unless terminated earlier by the operation of law or as provided for in the Articles of Association.

The Company is engaged in property leasing, buying and selling of properties for the Company only, third grade industrial maintenance works, buying and selling of shares and securities for the Company only and investment in local industrial projects.

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

The Company owns 75.68% (2018: 75.68%) shareholding interest in Gulf Ferro Alloys Company (SABAYEK) W.L.L. and 100% in United Gulf Trading S.P.C ("the subsidiaries").

The consolidated financial statements, set out on pages 9 to 51, were approved and authorised for issue by the Board of Directors on 25 February 2020.

2 Structure of the Group

The structure of the Group is as follows:

Subsidiaries:

Name of the subsidiary	Country of incorporation	Proportion of ownership interest 31 December 2019	Non-controlling interest ownership /voting interest 31 December 2019
Gulf Ferro Alloys Company ("SABAYEK") W.L.L.	Kingdom of Saudi Arabia	75.68% (2018: 75.68%)	24.32% (2018:24.32%)
United Gulf Trading S.P.C. ("UGT")	Kingdom of Bahrain	100% (2018:100%)	- (2018: Nil)

The principal activities of SABAYEK include the production and marketing of ferro silicon, ferro manganese, silicon manganese silicon and micro silicate.

The principal activities of UGT are other professional, scientific and technical activities, real estate activities on fee or contract and sale/trading in other industrial products/raw materials.

SABAYEK's total assets, liabilities and net profit for the year of have been extracted from unaudited management accounts prepared as at, and for the year ended, 31 December 2019 while UGT's total assets, liabilities and net profit for the year have been extracted from audited financial statements prepared as at, and for the year ended, 31 December 2019.

2 Structure of the Group (continued)

The details of the Group's investment in an associate, as follows:

Associate

Name of the associate	Country of incorporation	Description of shares held	Proportionate ownership interest held 2019	Proportionate ownership interest held 2018
Dhahran Chemical Industries Marketing ("DCIM")	Kingdom of Saudi Arabia	Ordinary shares of SAR100 per share	20%	20%

3 Basis of *preparation*

Statement of compliance

The consolidated 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"), the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and the requirements of the Bahrain Commercial Companies Law and associated resolutions, rules and procedures of the Bahrain Bourse.

Basis of presentation and functional currency

The consolidated financial statements have been prepared using the going concern assumption and under the historical cost convention except for the financial asset at fair value through profit or loss which are stated at their fair values and investment in an associate which is equity accounted.

The consolidated financial statements have been presented in Bahrain Dinars in which the share capital of the Company and its transactions are primarily denominated while the functional currency of SABAYEK is Saudi Riyals. In the opinion of the management, there is no significant currency exchange impact due to the difference between the functional currency and presentation currency as both are pegged to the United States Dollars.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 to these consolidated financial statements.

Standards, improvements, amendments and interpretations effective and adopted in 2019

The following new standards, improvements, amendments and interpretations issued by the IASB are effective for the first time for periods beginning on or after 1 January 2019 and have been adopted in the preparation of the consolidated financial statements.

Standard or interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019

3 Basis of preparation (continued)

Standards, improvements, amendments and interpretations effective and adopted in 2019 (continued)

IFRS 16 Leases

IFRS 16 replaces IAS 17 - "*Leases*" and IFRIC 4 - "*Determining whether an Arrangement contains a Lease*". IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

In accordance with the transition provisions of IFRS 16, instead of recognising an operating expense for its operating lease arrangements, the Group has recognise finance cost on its lease liabilities and amortisation on its right-of-use assets. This will decrease reported EBITDA by the amount of its operating lease cost.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. As a result of the adoption of this standard, BD479,181 (Note 8) was recognised as right of use assets and BD624,240 (Note 19) was recognised as lease liabilities as at 1 January 2019.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	Leasehold
Operating lease commitments at 31 December 2018	1,595,643
Discounted using the lessee's incremental borrowing rate of at the date of initial application	15.5%
Lease liabilities recognised under IFRS 16 at 1 January 2019	624,240

On adoption, the opening balance of the retained earnings have been adjusted by BD44,059.

Standards, amendments and interpretations issued and effective but not relevant in 2019

The following new standards, amendments and interpretations issued by the IASB are effective for the first time for periods beginning on or after 1 January 2019 but have not been adopted as these are not considered to be relevant to the Group's operations:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 12	Income taxes	1 January 2019
IAS 19	Employee benefits	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IAS 28	Investments in Associates and Joint Ventures	1 January 2019
IFRS 3	Business combinations	1 January 2019
IFRS 9	Financial instruments	1 January 2019
IFRS 11	Joint arrangements	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

3 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 Group's future accounting period with earlier adoption.

New standards, improvements, interpretations and amendments issued but not yet effective in 2019

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory and hence, have not been early adopted by the Group in preparing the consolidated financial statements for the year ended 31 December 2019. The Group intends to apply these standards from application date as indicated in the table below:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of financial statements	1 January 2020
IAS 8	Accounting policies, changes in accounting estimates and errors	1 January 2020
IFRS 3	Business combinations	1 January 2020
IFRS 7	Financial instruments: Disclosures	1 January 2020
IFRS 9	Financial instruments	1 January 2020
IFRS 17	Insurance contracts	1 January 2021

There would have been no change in the financial position and operational results of the Group for the year ended 31 December 2019 had the Group early adopted any of the above standards applicable to the Group.

4 Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements is set out below. These policies have been constantly applied to all the years presented as stated below, unless stated otherwise.

Basis of consolidation

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a changes in any of these elements of control.

4 Significant accounting policies (continued)

Basis of consolidation (continued)

De-facto control exists in situations where the Group has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Group considers all relevant facts and circumstances, including:

- The size of the Group's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Group and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Right-of-use assets

As explained in Note 3, the Group has adopted IFRS 16 from 1 January 2019 and therefore the Group has recognised a right-of-use assets and lease liability in the consolidated financial statements. In accordance with the transition provisions of IFRS 16, instead of recognising an operating expense for its operating lease arrangements, the Group has recognised finance costs on its lease liabilities and amortisation charge on its right-of-use assets.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the earlier of the end of the estimated useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of equipment and furniture. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the right of use assets.

4 Significant accounting policies (continued)

Lease liability

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprising fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Property, plant and equipment

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

Except for machinery and equipment of the subsidiary, where the depreciation is calculated on the basis of units of production method, depreciation on other property, plant and equipment items are calculated on the straight-line method to write-off the cost of property, plant and equipment to their estimated residual values over their expected economic useful lives as follows:

Building and freehold land	-	25 years
Machinery and equipment	-	Unit of production method
Furniture and fittings	-	Between 4 and 5 years
Office equipment	-	Between 4 and 5 years
Motor vehicles	-	Between 4 and 5 years
Tools and lab equipment	-	5 years
Other equipment	-	4 years

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

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

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, plant and equipment are written-down to their recoverable amounts.

4 Significant accounting policies (continued)

Investment in an associate

Where the Group 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 Group '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 Group 's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group 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 Group '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.

Inventories

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

Finished goods

Finished goods are measured at the lower of cost of production or net realisable value. The cost of production of finished goods is determined by dividing the total production cost by the saleable output of the finished goods.

Production costs include cost of raw materials, smelting costs, treatment and refining costs, other cash costs and depreciation of operating assets.

Work-in-process

Work-in-process is valued at net cost of production based on the percentage of completion method.

Stores and materials

Stores and materials, which consist of consumable spares, are valued at weighted average cost less provision for obsolete and slow-moving items.

4 Significant accounting policies (continued)

Financial assets

The Group classifies its financial assets in the following:

a) at fair value through other comprehensive income; and
b) at amortised costs.

a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Fair value of investments listed on active markets is determined by reference to the quoted market prices. The fair value of the unquoted securities, where available, is the Group's proportionate share of the net assets of the investee. In the absence of active markets or other appropriate methods from which to derive reliable fair values, the unquoted securities are stated at amortised cost.

b) Financial assets carried at amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

4 Significant accounting policies (continued)

Financial assets (continued)

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise of trade and other receivables and cash and bank balances in the consolidated statement of financial position.

Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalent comprise cash on hand and balances with banks.

Financial liabilities

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

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 consolidated 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 consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

Trade and other payables (excluding employee benefits)

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

4 Significant accounting policies (continued)

Share capital

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

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity.

Dividends and Board of Directors remuneration

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation in future and the amount of the obligation can be reliably estimated.

Employee 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 Group 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, air passage and other short-term benefits are recognised as they accrue to the employees. The Group 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 Group's contributions are charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate. In respect of this plan, the Group 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 Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

4 Significant accounting policies (continued)

Leases

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

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

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

Leases (continued)

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

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

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

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

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

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

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

Revenue recognition

Performance obligation and timing of revenue recognition

The majority of the Group's revenue is derived from the sale of ferro silicon, ferro manganese, silicon manganese, silicon metal, and micro silicate with revenue being recognised at a point in time depending on when the control of goods has been transferred to the customer. There is limited judgment needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery), retains none of the significant risks and rewards of the goods in question and conclusion of the work performed.

4 Significant accounting policies (continued)

Revenue recognition (continued)

Performance obligation and timing of revenue recognition

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that performance obligation from sale of goods is satisfied at the point in time when control of the asset is transferred to the customer, usually on delivery of the goods when the ownership of title is transferred.

Bank interest income is recognised on accrual basis as time passes while dividend income is recognised when the right to receive the payment is established.

Determining the transaction price

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

Allocating amounts to performance obligations

For most of the contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgment involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Segmental reporting

The Group's primary segment reporting format is business segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

The Group's primary business segments are:

- Smelting;
- Investment income foreign; and
- Investment income domestic.

The Group's secondary reporting format is geographic segments which are based on the geographical location of the Group's operations. The Group mainly operates in:

- Kingdom of Bahrain; and
- Kingdom of Saudi Arabia.

Foreign currency transactions

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

5 Critical accounting judgments and key source of estimation uncertainty

Preparation of consolidated financial statements in accordance with IFRS requires the Group'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 consolidated 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's judgments, estimates and assumptions relate to:

- economic useful lives of property, plant and equipment;
- power to exercise significant influence;
- classification of investments;
- impairment of assets;
- fair value measurement;
- revenue recognition;
- determination of lease term and borrowing rates;
- economic life of right of use assets; and
- contingencies.

Economic useful lives of property, plant and equipment

Except for the machinery and equipment of the subsidiary, where the depreciation is calculated on the basis of unit of production method, the Group's smelting assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. The economic useful lives of property, plant and equipment is 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 Group.

Power to exercise significant influence

Where the Group holds over 20% of voting rights (but not over 50%) and the Group does not exercise significant influence, the investment is treated as either financial assets at fair value through profit or loss or fair value through other comprehensive income. More information is disclosed in Note 7 to these consolidated financial statements.

Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments designated at fair value through other profit or loss, at fair value through other comprehensive income or amortised 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.

5 Critical accounting judgments and key source of estimation uncertainty (continued)

Impairment of assets

Financial assets

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

During the year ended 31 December 2019, in the opinion of the management, an amount of BD428,950 (Note 11) is required for impaired trade receivables (2018: BD374,301) (Note 11).

Other non-financial assets

Other non-financial assets (excluding inventories) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment changes are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

Inventories

The Group also creates provision for obsolete and slow-moving raw materials and consumable stores. At 31 December 2019, in the opinion of the Group's management, no provision is required for obsolete and slow-moving raw materials and consumable spares (2018: BDNil). Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the date of the consolidated financial position to the extent that such events confirm conditions existing at the end of the period.

Fair value measurement

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

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurement 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).

5 Critical accounting judgments and key source of estimation uncertainty (continued)

Fair value measurement (continued)

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 liabilities of the Group are initially recorded at fair value and subsequently re-measured at amortised cost while those which require fair value re-measurement are disclosed in Note 31.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Determination of lease term and the borrowing rates for leases

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

Economic life of right-of-use assets

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

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

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

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.

6 Property, plant and equipment

	Building and leasehold land	Machinery and equipment	Furniture and fittings	Office equipment	Motor vehicles	Tools and lab equipment	Total
Cost							
At 31 December 2017	13,335,245	52,750,736	182,164	652,461	1,006,960	2,001,458	69,929,024
Additions	18,635	10,952	707	4,778	16,160	46,548	97,780
At 31 December 2018	13,353,880	52,761,688	182,871	657,239	1,023,120	2,048,006	70,026,804
Additions	-	-	-	3,183	-	14,443	17,626
At 31 December 2019	13,353,880	52,761,688	182,871	660,422	1,023,120	2,062,449	70,044,430
Accumulated depreciation							
At 31 December 2017	7,900,818	19,169,507	163,708	329,925	857,133	1,770,968	30,192,059
Charge for the year	420,011	1,691,806	291	64,044	118,033	47,150	2,341,335
At 31 December 2018	8,320,829	20,861,313	163,999	393,969	975,166	1,818,118	32,533,394
Charge for the year	420,011	1,676,240	193	61,432	11,380	48,686	2,217,942
At 31 December 2019	8,740,840	22,537,553	164,192	455,401	986,546	1,866,804	34,751,336
Net book amount							
At 31 December 2019	4,613,040	30,224,135	18,679	205,021	36,574	195,645	35,293,094
At 31 December 2018	5,033,051	31,900,375	18,872	263,270	47,954	229,888	37,493,410

The Company operates from premises rented at a monthly rent of BD1,707 (2018: BD1,707 per month).

The Group's Subsidiary operates from premises rented at a monthly rent of BD7,635 (2018: BD7,635 per month).

6 Property, plant and equipment (continued)

The depreciation charged for the year has been allocated in the consolidated statement of profit or loss and other comprehensive income, as follows:

	31 December 2019	31 December 2018
Cost of sales (Note 23)	2,050,934	2,172,308
General and administrative expenses (Note 25)	167,008	169,027
	2,217,942	2,341,335

7 Investment in an associate

	31 December 2019	31 December 2018
Opening balance	913,107	886,548
Share of profit for the year	16,876	26,559
Closing balance	929,983	913,107

The investment in an associate represents the Group's 20% ownership interest in Dhahran Chemical Industries Marketing ("DCIM").

The Group's share in the net assets and results of operations of the associate has been extracted from the unaudited management accounts of DCIM prepared as at, and for the year ended, 31 December 2019 and 2018.

Summarised financial information of the Group's investment in the associate as extracted from the unaudited management accounts prepared as at, and for the year ended, 31 December is as follows:

	31 December 2019	31 December 2018
As at 31 December		
Current assets	2,986,460	3,157,017
Non-current assets	2,843,060	3,153,938
Current liabilities	(801,574)	(865,809)
Non-current liabilities	(378,028)	(1,165,288)
Net assets	4,649,918	4,279,858
Group's share of net asset	929,983	913,107

	Year ended 31 December 2019	Year ended 31 December 2018
Net profit for the year	370,059	36,285
Total comprehensive income	370,059	36,285

8 Right-of-use assets

	Leasehold land
On adoption of IFRS 16 as at 1 January 2019 (Note 3)	479,181
Amortisation charge for the year (Note 25)	(56,775)
At 31 December 2019	422,406

9 Financial assets at fair value through profit or loss

	31 December 2019	31 December 2018
Closing balance	256,000	256,000

Financial assets at fair value through profit or loss are denominated in Bahrain Dinars. These consist of marketable equity securities listed on the Bahrain Bourse and are fair valued annually at the close of business on 31 December. Fair value is determined by reference to stock exchange quoted prices. In addition, the Company also holds 403,591 unquoted shares in TAB Energy Limited. In the opinion of the management, the fair values of the financial assets at fair value through profit or loss are not significantly different from their carrying amount.

10 Inventories

	31 December 2019	31 December 2018
Finished goods and work-in-process	11,334,817	6,680,320
Raw materials	4,909,497	7,159,115
Consumable spares	2,408,807	2,435,871
	18,653,121	16,275,306

11 Trade and other receivables

	31 December 2019	31 December 2018
Trade receivables	2,424,877	2,244,957
Less: provision for impairment of trade receivables	(428,950)	(374,301)
	1,995,927	1,870,656
Prepayments and other receivables	4,749,570	2,933,020
	6,745,497	4,803,676

Trade receivables are generally on 60 to 180 days credit terms and are primarily denominated in Saudi Riyals.

It is not the policy of the Group to obtain collateral against trade and other receivables and, therefore, is all unsecured. The carrying value of trade and other receivables classified at amortised cost approximates fair value.

11 Trade and other receivables (continued)

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

	31 December 2019	31 December 2018
Balance as at 31 December	374,301	-
Increase in provision for impaired trade receivables upon adoption of IFRS 9 on 1 January	-	462,610
Adjusted balance as at 1 January	374,301	462,610
Provision during the year (Note 25)	150,255	-
Reversal of excess provision for impaired trade receivables (Note 24)	(95,606)	(88,309)
Balance as at 31 December	428,950	374,301

The Group applies the IFRS 9 simplified approach to measure 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 Group's historical credit losses experienced over a number of years prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP) and inflation rate as the key macroeconomic factors in the countries where the Group operates.

On that basis, the expected loss allowance for trade receivables was determined as follows:

31 December 2019	0-90 days overdue	91-180 days overdue	181-360 days overdue	361-720 days overdue	721+ days overdue	Total
Expected loss rate	1.97%	29.16%	65.36%	83.77%	100.00%	
Trade receivables	1,992,225	46,535	23,828	10,984	351,305	2,424,877
Loss allowance	39,298	13,571	15,575	9,201	351,305	428,950

31 December 2018	0-90 days overdue	91-180 days overdue	181-360 days overdue	361-720 days overdue	721+ days overdue	Total
Expected loss rate	2.09%	21.18%	51.40%	74.32%	100.00%	
Trade receivables	1,869,785	9,703	13,256	100,387	251,826	2,244,957
Loss allowance	38,995	2,055	6,814	74,611	251,826	374,301

12 Mudaraba deposits

Mudaraba deposits represent deposits placed with financial institutions, earned profit rates ranging between 2.25% to 5.15% per annum during 2019 (3.25%:2018) and have original maturities of more than 90 days but less than 365 days. The profits on these deposits have been recognised over the term of the related contract.

13 Cash and bank balances

	31 December 2019	31 December 2018
Balances in call and current accounts with banks	4,330,536	10,414,659
Short-term Mudaraba deposits	94,375	-
Cash on hand	4,329	4,157
	4,429,240	10,418,816

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

The cash and bank balances are denominated in the following currencies:

Currency	31 December 2019	31 December 2018
United States Dollars	2,933,851	8,961,064
Saudi Arabian Riyals	1,316,017	1,334,410
Bahrain Dinars	179,372	123,342
	4,429,240	10,418,816

14 Share capital

	31 December 2019	31 December 2018
Authorised		
400,000,000 shares of 100 fils each (2018: 400,000,000 shares of 100 fils each)	40,000,000	40,000,000
Issued and fully paid-up		
200,000,000 shares of 100 fils each (2018: 200,000,000 shares of 100 fils each)	20,000,000	20,000,000

The names and nationalities of the major shareholders who have an interest of 5% or more of the issued and fully paid-up share capital are as follows:

Name of the shareholder	Nationality	Number of shares	Percentage of shareholding of interest 2019	Percentage of shareholding of interest 2018
Mr Rashed Abdullah Al-Hajiri	Kingdom of Saudi Arabia	58,418,336	29.21%	29.21%

The Group has only one class of equity shares and the holders of the shares have equal voting rights.

14 Share capital (continued)

The distribution schedule of equity shares, setting out the number of shareholders and percentages in the following categories is as follows:

	Number of shareholders	Number of shares	Percentage of total outstanding shares 2019	Percentage of total outstanding shares 2018
Less than 1%	1,161	76,907,817	38.45%	38.45%
1% up to less than 5%	19	64,673,847	32.34%	32.34%
20% up to less than 50%	1	58,418,336	29.21%	29.21%
	1,181	200,000,000	100.00%	100.00%

The details of the shares owned by the Directors as at 31 December:

	31 December 2019	31 December 2018
Mr Rashed Abdullah Al-Hajiri	58,418,336	58,418,336
Mr Abdulla Fahad. Al-Subaie	100,000	100,000
Mr Abdulla Mubarak Abdulla Al-Suwaiket	100,000	100,000
Mr Waleed Fahad Abdulrahman Al-Tharman	100,000	100,000
	58,718,336	58,718,336

15 Statutory reserve

In accordance with the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Group's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. During the year ended 31 December 2019, as Group has incurred losses, no amount has been transferred to the statutory reserve (2018: BDNil). The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law.

16 Other reserves

Share premium

This represents the amount subscribed for share capital in excess of nominal value. Share premium is not available for distribution.

Retained earnings

This represents all other net gains and losses and transactions with shareholders not recognised elsewhere. This reserve is available for distribution.

Revaluation reserve

Revaluation reserve represents surplus arising from the fair valuation of property, plant and equipment of the subsidiary. This reserve is not available for distribution.

17 Non-controlling interest

	31 December 2019	31 December 2018
Opening balance	7,249,613	7,443,888
Effect of adoption of IFRS 9	-	(112,507)
Effect of adoption of IFRS 16	(10,715)	-
Share of non-controlling interest in the total comprehensive loss of the subsidiary	(1,343,948)	(81,768)
Closing balance	5,894,950	7,249,613

Summarised financial information in relation to the non-controlling interest of the subsidiary, before intra-group eliminations, is presented below:

	Year ended 31 December 2019	Year ended 31 December 2018
Income statement items		
Sales	30,985,263	41,005,001
Cost of sales	(35,155,134)	(39,406,073)
Gross (loss)/profit	(4,169,871)	1,598,928
Administrative expenses	(849,450)	(895,304)
Other expenses	(170,900)	(341,974)
Operating (loss)/profit	(5,190,221)	361,650
Other income	102,165	122,236
Finance expense	(324,202)	(260,714)
Net (loss)/profit before tax	(5,412,258)	223,172
Provision for zakat	(113,843)	(559,380)
Net loss after tax	(5,526,101)	(336,208)
Net loss and total comprehensive loss allocated to non-controlling interest	(1,363,375)	(81,768)
Cash flow statement items		
Cash flows from operating activities	3,134,446	3,771,257
Cash flows from investing activities	(17,626)	(92,644)
Cash flows from financing activities	(505,000)	(1,010,000)
Net cash inflows	2,611,820	2,668,613

17 Non-controlling interest (continued)

	31 December 2019	31 December 2018
Assets:		
Property, plant and equipment	30,961,931	33,162,247
Right-of-use asset	422,406	-
Inventories	18,653,121	16,275,306
Trade and other receivables	6,732,359	6,817,961
Cash and cash equivalents	4,111,452	8,524,368
Liabilities:		
Trade and other payables	3,570,367	5,458,089
Term loans	31,749,928	28,561,745
Provisions	637,542	576,469
Lease liabilities	684,313	-
Accumulated non-controlling interests	5,894,950	7,249,613

18 Term loans

	31 December 2019	31 December 2018
Saudi Industrial Development Fund In 1996, the subsidiary obtained a long-term loan from SIDF amounting to SAR323 million by pledging the property, plant and equipment of the subsidiary and the guarantee of the subsidiary's shareholders against the loan. The total withdrawal against this loan amounted to SAR319 million. The loan agreement initially stated that the loan should be repaid in 16 instalments starting from 28 July 1999 and ended on 8 October 2006. Subsequently, the subsidiary negotiated with SIDF for the extension of the repayment schedule of the loan to a later period. SIDF accepted the subsidiary's proposal and extended the loan repayment period to 35 years beginning from 17 April 2008, with half yearly intervals, vide their letter dated 7/11/1427 Hijri (Arabic date).	20,109,100	20,614,100

18 Term loans

	31 December 2019	31 December 2018
Saudi Electric Company Payable to SEC includes payable towards substation amounting to SAR23 million and payables towards electricity charges amounting to SAR8 million. Due to cash shortage, the subsidiary could not pay the dues towards the usage of electricity charges to SEC on time. The management re-negotiated with SEC for instalment payments against energy bills to which SEC Agreed. At the end of 2016, SABAYEK agreed to make instalment payments for its 2015 and 2016 liabilities where SABAYEK is required to pay SAR 1 million each month 'till October 2017, SAR1.5 million from November 2017 to October 2018, SAR2 million from November 2018 to March 2021 including the final instalment of SAR1.1 million in accordance with the repayment schedule.	11,640,828	7,947,645
	31,749,928	28,561,745
Less: current portion of term loans	(7,127,183)	(3,434,000)
Non-current portion of term loans	24,622,745	25,127,745

That portion of the loans which is repayable within one year from the consolidated statement of financial position date is disclosed as current portion of term loans.

19 Lease liabilities

	31 December 2019	31 December 2018
At 1 January	624,240	-
Interest expense (Note 26)	60,073	-
At 31 December	684,313	-
Less: current lease liabilities	(236,675)	-
Non-current lease liabilities	447,638	-

Maturity analysis - contractual undiscounted cash flows:

	31 December 2019	31 December 2018
Not later than 1 year	91,616	916,159
Between one year and five years	458,079	458,079
Later than five year	129,789	221,405
Total undiscounted lease	679,484	1,595,643

20 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 2019 amounted to BD9,120 (2018: BD9,120).

Expatriate employees

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

	31 December 2019	31 December 2018
Opening balance	593,023	544,668
Accruals for the year	72,515	72,007
Payments during the year	(9,914)	(23,652)
Closing balance	655,624	593,023
Number of staff employed by the Group	101	99

The employees' terminal benefits accrued in the accounting records of the subsidiary in accordance with the Saudi Labour and Workmen Law amounted to BD637,542 (2018: BD529,643).

21 Trade and other payables

	31 December 2019	31 December 2018
Trade payables	741,815	3,068,587
Accruals and other payables	3,822,639	3,375,652
	4,564,454	6,444,239

Trade payables are normally settled within 30 days from the suppliers' invoice date and are mainly in Saudi Arabian Riyals and Bahrain Dinars. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Portion of accrued and other payables pertain to payable to Saudi Electricity Co. (SEC) by the subsidiary for the electrical power supply provided to the subsidiary and cost of the Jubail electricity station expansion. During 2014, the Group renegotiated the terms of repayment of the power supply dues, resulting in payments of 24 equal monthly instalments of BD141,400 each starting from 3 November 2014 and ended 3 October 2016. During 2016, the Group has agreed to make instalment payments to SEC for the outstanding liabilities relating to 2015 and 2016. During 2019, the Group has not paid its dues as per the agreed schedule.

Accruals and other payables also include the zakat and income tax payable by the subsidiary (Note 27).

22 Sales

	Year ended 31 December 2019	Year ended 31 December 2018
Product type:		
Silico manganese	26,111,452	37,519,410
Ferro manganese	4,873,811	3,485,591
	30,985,263	41,005,001
Contract counterparties:		
Direct to customers	30,985,263	41,005,001
Timing of revenue recognition:		
At a point in time	30,985,263	41,005,001

Geographical information of sales during the years:

	Year ended 31 December 2019	Year ended 31 December 2018
Domestic sales (Kingdom of Saudi Arabia)	28,918,225	26,708,019
Foreign sales	2,055,391	11,912,349
Gulf Co-operation Countries (GCC) sales	11,647	2,384,633
	30,985,263	41,005,001

23 Cost of sales

	Year ended 31 December 2019	Year ended 31 December 2018
Raw materials consumed	21,802,997	25,914,123
Other direct costs	11,301,203	11,319,642
Depreciation (Note 6)	2,050,934	2,172,308
	35,155,134	39,406,073

This represents the cost of sales made by the subsidiary of the Company.

24 Other income

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income on Mudaraba deposits	103,281	68,571
Reversal of excess provision for impaired trade receivables (Note 11)	95,606	88,309
Foreign currency exchange gains	5,243	-
Miscellaneous income	7,059	33,927
	211,189	190,807

25 General and administrative expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Other general and administrative expenses	529,548	873,701
Staff costs	390,601	374,377
Depreciation (Note 6)	167,008	169,027
Provision for impaired trade receivables (Note 11)	150,255	-
Amortisation of right-of-use assets (Note 8)	56,775	-
Directors' sitting fees (Note 29)	7,800	8,244
	1,301,987	1,425,349

26 Finance costs

	Year ended 31 December 2019	Year ended 31 December 2018
Interest expense on term loans	264,129	260,714
Interest expense on lease liabilities (Note 19)	60,073	-
	324,202	260,714

27 Provision for Zakat

	Year ended 31 December 2019	Year ended 31 December 2018
Provision for Zakat	113,843	559,380

In accordance with the Saudi Organisation for Certified Public Accountants (SOCPA), Accounting Standard No.11 for Zakat and income tax has set a uniform presentation for Zakat and income tax due on companies with mixed Saudi and foreign partners, as a direct charge to the consolidated statement of profit or loss and other comprehensive income.

28 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2019	Year ended 31 December 2018
Net loss attributable to the shareholders of the Parent Company	(4,337,890)	(347,381)
Weighted average number of ordinary shares in issue during the year	200,000,000	200,000,000
Basic and diluted losses per share	(21.69fils)	(1.74fils)

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

29 Dividends and directors' remuneration

Declared and paid

The Board of Directors did not declare dividends to the shareholders during the year ended 31 December 2019 (2018: BDNil).

Proposed by the Board of Directors

The Board of Directors do not propose to pay any dividend to the shareholders for the year ended 31 December 2019 (2018: BDNil). This is subject to the approval by the shareholders in their Annual General Meeting.

Directors' sitting fees

An amount of BD7,800 has been paid as Directors' sitting fees for the year ended 31 December 2018 (2018: BD8,244 has been paid for the year ended 31 December 2017). The payment was approved by the shareholders in the Annual General Meeting held on 3 April 2019.

30 Segmental information

Business segments

As at, and for the year ended 31 December 2019	**Smelting**	**Investment activities**	**Total**
Revenue	30,985,263	-	30,985,263
Other income	102,165	109,024	211,189
Operating costs	(35,155,134)	-	(35,155,134)
Provision for Zakat	(113,843)	-	(113,843)
Segment (loss)/profit	(4,181,549)	109,024	(4,072,525)
Share of profit from investment in an associate			16,876
Other expenses			(1,626,189)
Net loss for the year			(5,681,838)

30 Segmental information (continued)

Assets and liabilities	**Smelting**	**Investment activities**	**Total**
Addition to non-current asset	17,626	-	17,626
Total segment assets	61,310,219	7,322,445	68,632,664
Total segment liabilities	37,295,419	358,900	37,654,319

As at, and for the year ended 31 December 2018	**Smelting**	**Investment activities**	**Total**
Revenue	41,005,001	-	41,005,001
Other income	122,236	68,571	190,807
Operating costs	(39,406,073)	-	(39,406,073)
Provision for Zakat	(559,380)	-	(559,380)
Segment profit	1,161,784	68,571	1,230,355
Share of profit from investment in an associate			26,559
Other expenses			(1,686,063)
Net loss for the year			(429,149)

Assets and liabilities	**Smelting**	**Investment activities**	**Total**
Addition to non-current asset	97,180	-	97,180
Total segment assets	64,779,882	7,523,367	72,303,249
Total segment liabilities	34,589,895	1,009,112	35,599,007

Geographical segments - secondary reporting format

	Segment assets		Segment liabilities	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Kingdom of Bahrain	7,322,445	7,523,367	358,900	1,009,112
Kingdom of Saudi Arabia	61,310,219	64,779,882	37,295,419	34,589,895
	68,632,664	72,303,249	37,654,319	35,599,007

31 Financial assets and liabilities and risk management

Capital management

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, lease liability, term loans and trade and other payables less cash and bank balances. Capital includes share capital and reserves attributable to the shareholders of the Group.

	31 December 2019	31 December 2018
Lease liabilities	684,313	-
Term loans	31,749,928	28,561,745
Trade and other payables	4,564,454	6,444,239
Less: cash and bank balances	(4,429,240)	(10,418,816)
Net debt	32,569,455	24,587,168
Share capital	20,000,000	20,000,000
Statutory reserve	2,853,603	2,853,603
Share premium	116,328	116,328
Other reserves	2,113,464	6,484,698
Equity attributable to shareholders of the Company	25,083,395	29,454,629
Total capital and net debt	57,652,850	54,041,797
Gearing ratio	56.49%	45.50%

Risk management

The Board of Directors have the overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's risk and compliance function. The Board of Directors receive quarterly reports from the Risk and Compliance Department through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed, through its operations, to various financial risks which include liquidity risk, operational risk, regulatory risk, investment risk, legal risk, reputational risk, market risk, credit risk and fair value measurement.

31 Financial assets and liabilities and risk management (continued)

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Finance Department headed by the Finance Manager, in coordination with the Managing Director, is primarily responsible for the regular monitoring of the liquidity requirements of the Group. The Board is being provided with quarterly liquidity reports for their review and decision making.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of non-derivative financial liabilities based on the earliest date on which the Group can be required to make payments.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of non-derivative financial liabilities based on the earliest date on which the Group can be required to make payments.

At 31 December 2019	Total	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	More than 2 years
Interest bearing	31,749,928	1,781,796	5,345,388	7,127,183	17,495,561
Non-interest bearing	3,762,983	3,762,983	-	-	-
	35,512,911	5,544,779	5,345,388	7,127,183	17,495,561

At 31 December 2018	Total	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	More than 2 years
Interest bearing	28,561,745	858,501	2,575,503	3,434,000	21,693,741
Non-interest bearing	5,458,089	5,458,089	-	-	-
	34,019,834	6,316,590	2,575,503	3,434,000	21,693,741

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems or external events. The Group seeks to minimise this risk by continuously framing policies and procedures to identify, control and manage these risks. As at 31 December 2019 and 2018, in the opinion the management, operational risk exposures are considered to be acceptable in the circumstance.

Investment risk is defined as the uncertainty about the future benefits to be realised from an investment. The Group has well-defined policies for managing investment risk. These policies cover investment authority limits and investment assessment practices. The Board of Directors in coordination with the Chief Executive Officer studies the impact of transactions on the Group's consolidated statement of financial position and monitors the investment portfolio on a continuous basis. Every investment application is reviewed by a designated body depending on the size and the nature of the transaction. Fair valuation is generally conducted on a quarterly basis. The Group has a policy to ensure the conservatism convention and to make the necessary provisions when they are warranted.

Regulatory risk is the risk of non-compliance with regulatory and legal requirements in the Kingdom of Bahrain and Kingdom of Saudi Arabia. The Group's Compliance Department is responsible for ensuring all regulations are adhered to on timely basis.

31 Financial assets and liabilities and risk management (continued)

Legal risk includes the risk of unexpected losses from transactions and/or contracts not being enforceable under applicable laws or from unsound documentation. The Group deals with several external law firms to support it in managing the legal risk.

Reputation risk is the risk that negative perception regarding the Group's business practices or internal controls, whether true or not, will cause a decline in the Group's investor base and lead to costly litigations which could have an adverse impact on the liquidity of the Group. The Board of Directors examines the issues that are considered to have reputation repercussions for the Group and issues directives to address these.

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in profit rate, currency rate, and equity price risk. The Group closely monitors the market forces and suitably revises the strategy to minimize the market risk.

Profit rate risk

It is the policy of the Group that significant borrowings are obtained by way of fixed profit rate that is most advantageous in the local market. Although the Group considers that this policy does not entirely eliminate the risk of paying profit rates in excess of market rates nor eliminates fully cash flow risk associated with variability in profit payments, however, is in the opinion that it achieves an appropriate balance of exposure to these risks. The Group's term loans bear fixed profit rate while the other financial liabilities are non-profit bearing. In the opinion of the Group's management, risk exposures to fluctuations in profit rate are minimal.

Equity price risk

The Group holds equity investments in other companies for strategic purpose. The Board of Directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstance.

The effect of a 5% increase/decrease in the value of the equity investments as at 31 December 2019, all other variables held constant, would have resulted to an increase/decrease in profit or loss of BD12,800 (2018: BD12,800) and net assets will correspondingly increase/decrease by the same amount.

31 Financial assets and liabilities and risk management (continued)

Market risk (continued)

Currency rate risk

Currency rate risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign exchange rates. The Group's foreign currency transactions are primarily in United States Dollars and other GCC currencies which are effectively pegged to the Bahrain Dinar. Accordingly, management assesses the Group's exposure to currency rate risk as insignificant.

As at 31 December 2019 and 2018, the Group's financial assets and financial liabilities were denominated in the following currencies:

Financial assets

	United States Dollars		Bahrain Dinars		Saudi Arabian Riyals		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Trade and other receivables (excluding prepayments)	-	-			6,692,149	4,671,649	6,692,149	4,671,649
Cash and bank balances	2,933,851	8,961,064	179,372	123,342	1,316,017	1,334,410	4,429,240	10,418,816
Investment in an associate	-	-	-	-	929,983	913,107	929,983	913,107
Financial assets at fair value through profit or loss	-	-	256,000	256,000	-	-	256,000	256,000
	2,933,851	8,961,064	435,372	379,342	8,938,149	6,919,166	12,307,372	16,259,572

Financial liabilities

	Bahrain Dinars		Saudi Riyals		Total	
	2019	2018	2019	2018	2019	2018
Term loans	-	-	31,749,928	28,561,745	31,749,928	28,561,745
Trade and other payables (excluding employee benefits)	801,487	986,167	3,678,015	5,384,161	4,479,502	6,370,328
	801,487	986,167	35,427,943	33,945,906	36,229,430	34,932,073

31 Financial assets and liabilities and risk management (continued)

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is mainly exposed to credit risk in respect of its credit sales and cash and cash equivalents. In respect of credit sales, it is the practice of the Group to evaluate each new customer for credit worthiness before entering into contracts. The management also regularly monitors the credit worthiness of its existing customers through review of trade receivables ageing analysis. The Group mainly provides credit only to large size, established and well-known companies. Concentrations of credit risk with respect to trade receivables are limited due to the Group's small number of customers that have a variety of end markets in which they operate. The management believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables. In respect of its bank balance, cash is placed with national and multi-national banks with good credit ratings.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases, may take steps to mitigate such risks if it is sufficiently concentrated. The carrying amounts of the financial assets represent the Group's maximum exposure to credit risk.

A significant amount of bank balances is held with the following institutions:

	Rating as at 31 December 2019	Balance as at 31 December 2019	Rating as at 31 December 2018	Balance as at 31 December 2018
Ahli United Bank	BBB-[1]	122,841	BB+[1]	34,960
Arab Banking Corporation	BBB-[1]	37,311	BBB-[1]	37,374
Arab National Bank	N.A[2]	2,153,166	N.A[2]	9,060,068
Ithmaar Bank	N.A[2]	1,796,695	N.A[2]	1,944,514
Samba Financial Group	N.A[2]	-	N.A[2]	58,785
Various	N.A[2]	2,218,221	N.A[2]	1,426,048

[1] *Fitch's long term issuer default rating*
[2] *Rating not available*

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.

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 unobservable inputs and fair value:

	Fair value at 31 December	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
Financial assets at fair value through profit or loss	BD256,000 (2018: BD256,000)	L1	Quoted prices from stock exchanges	Not applicable	Not applicable

32 Related parties transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the shareholders, key management personnel and their close family members and such other companies over which the Group or its shareholders, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorised by the management are on arm's length basis. Further, there are no loans due from any of the Directors of the Group.

Key management personnel compensation

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group including the Chief Executive Officer of the Group.

	Year ended 31 December 2019	Year ended 31 December 2018
Directors' sitting fees (Note 29)	7,800	8,244
Remuneration to key management personnel	109,900	109,900

A summary of significant transactions with the associate:

	Year ended 31 December 2019	Year ended 31 December 2018
Share of profit for the year	16,876	26,559

33 Notes supporting statement of cash flows

IAS 7 "Statement of Cash Flows" requires additional disclosures about changes in an entity's financing liabilities arising from both cash flow and non-cash flow items.

	1 January 2019	Obtained during the year	Finance cost accrued	Principal repaid during the year	Finance costs paid	31 December 2019
Term loans	28,561,745	8,031,201	264,129	(4,843,018)	(264,129)	31,749,928

	1 January 2018	Obtained during the year	Finance cost accrued	Principal repaid during the year	Finance costs paid	31 December 2018
Term loans	31,456,188	9,975,659	260,714	(12,870,102)	(260,714)	28,561,745

34 Events after the reporting period

There were no events occurring subsequent to 31 December 2019 and before the date of the report that are expected to have a significant impact on these consolidated financial statements.

35 Zakat

The subsidiary of the Company has accrued the amount of Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax (GAZT), Kingdom of Saudi Arabia. The Saudi shareholders of the subsidiary will be liable for the payment of Zakat (SABAYEK).