

Trafco Group B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2019 (REVIEWED)

REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF TRAFCO GROUP B.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Trafco Group B.S.C. ("the Company") and its subsidiaries (together "the Group") as of 30 September 2019, and the related interim consolidated statement of profit or loss account and other comprehensive income for three and nine months periods then ended and the related interim consolidated statements of cash flows and changes in equity for the nine-month period then ended and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 ('IAS 34') *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Auditor's Registration No. 115
6 November 2019
Manama, Kingdom of Bahrain

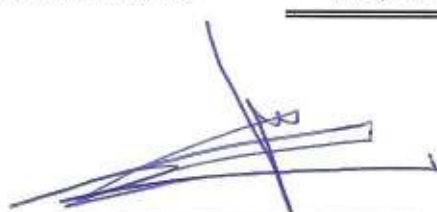
Trafco Group B.S.C.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2019 (Reviewed)

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2019	2018	2019	2018
		BD	BD	BD	BD
Revenue from contracts with customers	4	9,201,490	9,581,384	28,523,298	29,716,468
Costs of revenue		(7,092,218)	(7,570,960)	(22,315,692)	(23,364,590)
GROSS PROFIT		2,109,272	2,010,424	6,207,606	6,351,878
Other operating income		122,081	64,936	195,003	153,159
Personnel costs		(879,551)	(900,814)	(2,750,835)	(2,729,716)
General and administration expenses		(286,127)	(342,853)	(944,604)	(962,837)
Depreciation		(288,706)	(107,387)	(610,282)	(307,989)
Selling and distribution expenses		(230,615)	(102,579)	(617,958)	(576,707)
PROFIT FROM OPERATIONS		546,354	621,727	1,478,930	1,927,788
Investment income - net		84,501	55,325	668,011	556,356
Share of results of an associate		(33,317)	(43,076)	(24,652)	(129,618)
Finance costs		(152,386)	(42,920)	(280,116)	(140,411)
Foreign exchange gains, net		3,017	1,672	793	18,375
PROFIT OF THE GROUP FOR THE PERIOD		448,169	592,728	1,842,966	2,232,490
of which profit attributable to non-controlling interests		(206,879)	(212,611)	(543,464)	(605,080)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF TRAFCO		241,290	380,117	1,299,502	1,627,410
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	6	3	5	17	21
OTHER COMPREHENSIVE INCOME					
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>					
- Gain on disposal of non-trading investments		17,791	-	126,197	-
- Net changes in fair value of non-trading investments		420,833	242,447	1,332,611	163,675
- Share of associate's other comprehensive income (loss)		4,438	4,139	(10,787)	9,162
		443,062	246,586	1,448,021	172,837
<i>Items to be reclassified to profit or loss in subsequent periods:</i>					
- Exchange differences on translation of foreign operations		956	(8,353)	636	(24,864)
Other comprehensive income for the period		444,018	238,233	1,448,657	147,973
TOTAL COMPREHENSIVE INCOME OF THE GROUP FOR THE PERIOD		892,187	830,961	3,291,623	2,380,463
of which income attributable to non-controlling interests		(217,039)	(208,518)	(565,499)	(592,897)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF TRAFCO		675,148	622,443	2,726,124	1,787,566



Ebrahim Mohamed Ali Zainal
Chairman



Yusuf Saleh Abdulla AlSaleh
Vice Chairman



S Sridhar
Group Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Trafco Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019 (Reviewed)

		30 September 2019 (Reviewed) BD	31 December 2018 (Audited) BD
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		9,817,818	9,025,225
Right-of-use assets	7	2,332,075	-
Investment in an associate		1,599,797	1,635,236
Non-trading investments		12,430,537	10,960,631
		<u>26,180,227</u>	<u>21,621,092</u>
Current assets			
Inventories		7,773,307	7,729,203
Right of return assets		28,017	40,170
Trade and other receivables		8,434,527	8,377,042
Cash, bank balances and short-term deposits		2,758,996	1,987,607
		<u>18,994,847</u>	<u>18,134,022</u>
TOTAL ASSETS		<u>45,175,074</u>	<u>39,755,114</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		8,067,505	8,067,505
Treasury shares	10	(1,644,095)	(866,096)
Share premium		3,386,502	3,386,502
Reserves		16,412,414	15,054,019
Equity attributable to shareholders of Trafco		<u>26,222,326</u>	<u>25,641,930</u>
Non-controlling interests		3,671,726	3,106,227
Total equity		<u>29,894,052</u>	<u>28,748,157</u>
Non-current liabilities			
Lease liabilities	12	1,889,506	-
Employees' end of service benefits		1,384,581	1,332,663
Term loans		864,541	392,361
Retentions payable		74,100	9,005
		<u>4,212,728</u>	<u>1,734,029</u>
Current liabilities			
Trade and other payables		5,379,421	6,538,671
Import loans		3,882,193	2,299,147
Bank overdrafts		1,054,017	186,498
Lease liabilities	12	494,234	-
Contract and refund liabilities		186,156	166,052
Term loans		72,273	82,560
		<u>11,068,294</u>	<u>9,272,928</u>
Total liabilities		<u>15,281,022</u>	<u>11,006,957</u>
TOTAL EQUITY AND LIABILITIES		<u>45,175,074</u>	<u>39,755,114</u>



Ebrahim Mohamed Ali Zainal
Chairman



Yusuf Saleh Abdulla Alsaleh
Vice Chairman



S Sridhar
Group Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Trafco Group B.S.C.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2019 (Reviewed)

		Nine-month period ended 30 September	
		2019	2018
	Notes	BD	BD
OPERATING ACTIVITIES			
Profit of the Group for the period		1,842,966	2,232,490
Adjustments for:			
Investment income - net		(668,011)	(556,356)
Depreciation of property, plant and equipment		712,024	731,140
Depreciation of right-of-use assets	7	303,024	-
Finance costs		280,116	140,411
Provision for employees' end of service benefits		171,775	135,783
Share of results of an associate		24,652	129,618
Provision for slow moving and obsolete of inventories		38,754	51,918
Allowance for expected credit losses		31,936	20,810
Gain on disposals of property, plant and equipment		(6,752)	(31,557)
Operating profit before changes in working capital		2,730,484	2,854,257
Working capital changes:			
Inventories		(82,858)	697,050
Right of return assets		12,153	(16,566)
Trade and other receivables		(78,511)	(386,322)
Trade and other payables		(1,110,269)	(679,614)
Contract and refund liabilities		20,104	59,447
Cash generated from operations		1,491,103	2,528,252
Finance costs paid		(178,766)	(140,411)
Directors' remuneration paid		(160,502)	(107,625)
Employees' end of service benefits paid		(119,857)	(128,468)
Net cash flows from operating activities		1,031,978	2,151,748
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,522,615)	(765,901)
Proceeds from disposals of property, plant and equipment		24,750	33,763
Proceeds from disposals of non-trading investments		293,792	(621,207)
Purchase of non-trading investments		(304,890)	-
Dividends received		657,101	556,356
Net cash flows used in investing activities		(851,862)	(796,989)
FINANCING ACTIVITIES			
Dividends paid	11	(1,256,208)	(1,204,909)
Net movements in import loans		1,583,046	242,661
Term loan availed		552,771	500,000
Repayment of term loans		(90,878)	(885,236)
Payment of lease liabilities	12	(352,709)	-
Movements in retentions payables		65,095	-
Repayment of loans from non-controlling interests		-	(497,000)
Dividend paid to non-controlling interests		-	(161,160)
Purchase of treasury shares	10	(777,999)	(32,088)
Net cash flows used in financing activities		(276,882)	(2,037,732)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(96,766)	(682,973)
Foreign currency translation adjustments - net		636	(24,864)
Cash and cash equivalents at 1 January		1,801,109	2,414,692
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER (a)		1,704,979	1,706,855

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Trafco Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2019 (Reviewed)

(a) Cash and cash equivalents comprise of following amounts:

	<i>Nine-month period ended</i> <i>30 September</i>	
	2019	2018
	BD	BD
Cash, bank balances and short-term deposits	2,758,996	1,919,547
Less: Bank overdrafts	(1,054,017)	(212,692)
	1,704,979	1,706,855

Non-cash item:

- (i) Unclaimed dividends of BD 111,521 (2018: BD 27,650) pertaining to prior periods have been excluded from the movement of trade and other payables.

Trafco Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2019 (Reviewed)

	Attributable to shareholders of Trafco's shareholders									
	Reserves									
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Fair value and other reserves	Retained earnings - distributable	Proposed appropriations	Total reserves	Total Trafco's shareholders' equity
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Balance at 1 January 2019	8,067,505	(866,096)	3,386,502	3,786,542	1,365,000	5,232,400	2,881,774	1,434,829	15,054,019	25,641,930
Profit for the period	-	-	-	-	-	-	1,299,502	-	1,299,502	1,299,502
Other comprehensive income for the period	-	-	-	-	-	1,426,622	-	-	1,426,622	1,426,622
Total comprehensive income for the period	-	-	-	-	-	1,426,622	1,299,502	-	2,726,124	2,726,124
Treasury shares purchased during the period (note 10)	-	(777,999)	-	-	-	-	-	-	-	(777,999)
Dividends (note 11)	-	-	-	-	-	-	-	(1,367,729)	(1,367,729)	(1,367,729)
Dividends relating to treasury shares	-	-	-	-	-	-	17,100	(17,100)	-	-
Transfer to general reserve	-	-	-	-	50,000	-	-	(50,000)	-	-
Gain on disposal of non-trading investments	-	-	-	-	-	(126,197)	126,197	-	-	-
Balance at 30 September 2019	8,067,505	(1,644,095)	3,386,502	3,786,542	1,415,000	6,532,825	4,324,573	-	16,412,414	26,222,326
										3,671,726
										29,894,052

	Attributable to shareholders of Trafco's shareholders									
	Reserves									
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Fair value and other reserves	Retained earnings - distributable	Proposed appropriations	Total reserves	Total Trafco's shareholders' equity
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Balance at 1 January 2018	8,067,505	(834,008)	3,386,502	3,601,062	1,315,000	5,011,200	2,840,576	1,282,559	14,323,346	24,943,345
Profit for the period	-	-	-	-	-	-	1,627,410	-	1,627,410	1,627,410
Other comprehensive income (loss) for the period	-	-	-	-	-	160,156	-	-	160,156	160,156
Total comprehensive income for the period	-	-	-	-	-	160,156	1,627,410	-	1,787,566	1,787,566
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(161,160)
Recovery of impairment equity investment	-	-	-	-	-	-	11,365	-	11,365	11,365
Treasury shares purchased during the period (note 10)	-	(32,088)	-	-	-	-	-	-	-	(32,088)
Dividends (note 11)	-	-	-	-	-	-	-	(1,232,559)	(1,232,559)	(1,232,559)
Transfer to general reserve	-	-	-	-	50,000	-	-	(50,000)	-	-
Balance at 30 September 2018	8,067,505	(866,096)	3,386,502	3,601,062	1,365,000	5,171,356	4,479,351	-	14,889,718	25,477,629
										3,136,944
										28,614,573

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Trafco Group B.S.C. ('the Company' or 'Trafco' or 'the parent company') is a public joint stock company, the shares of which are listed and publicly traded on Bahrain Bourse. The Company was incorporated in the Kingdom of Bahrain by Amiri Decree No. 10 of November 1977. The Company operates in accordance with the provisions of the Bahrain Commercial Companies Law under commercial registration (CR) number 8500 issued by the Ministry of Industry, Commerce and Tourism. The postal address of the Company's registered office is PO Box 20202, Manama, Kingdom of Bahrain. The Company's principal activity is trading in food products.

The Group comprises of the Company, its subsidiaries and associates the details of which were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 6 November 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2019 have been prepared in accordance with International Accounting Standard 34 (IAS 34) "*Interim Financial Reporting*".

The interim condensed consolidated financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. In addition, results for the nine-month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The Group previously presented statements of profit or loss and comprehensive income as two separate statements. In the current period, the Group has chosen to present these as a single statement as in the opinion of management this is consistent with the industry practice and also more fairly presents the Group's financial performance.

New and amended standards and interpretations adopted as on 1 January 2019

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the new standards and interpretations and amendments to standards and interpretations effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the Group measures the right-of-use assets at 1 January 2019 at an amount which is equal to the lease liability. The Group elected to use the transition practical expedient allowing the Standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the date of initial application, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	<i>BD</i>
Assets	
Right-of-use assets (note 7)	<u>2,489,292</u>
	<i>BD</i>
Liabilities	
Lease liabilities (note 12)	<u>2,489,292</u>

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<i>BD</i>
Operating lease commitments as at 31 December 2018	2,793,953
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	2,347,913
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	<u>141,379</u>
Lease liabilities as at 1 January 2019	<u>2,489,292</u>

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various rental spaces, motor vehicles, buildings and land on which its plants are situated. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'Trade and other receivables' and 'Trade and other payables', respectively. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right-to-use the underlying assets. In accordance with the modified retrospective approach, the Group has recognised the right-of-use assets and the corresponding lease liability in the interim condensed consolidated financial statements.

(i) Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Several other new standards and interpretations and amendments to standards and interpretations applied for the first time in 2019. However, they did not impact the interim condensed consolidated financial statements of the Group.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the date of initial application, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The significant accounting judgements and estimates used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the following judgement:

Judgements

Determination of lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew the lease for another term. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for certain leases of land and buildings due to the significance of these assets to its operations.

Trafco Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents the disaggregation of the Group's revenue from contracts with customers for the three-month periods ended 30 September 2019 and 30 September 2018:

Types of revenue	Wholesale		Retail		Dairy products and beverages		Fruits and vegetables		Storage and logistics		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Sale of goods	3,884,090	4,217,187	452,331	602,855	4,133,940	4,092,139	570,017	504,394	-	-	9,040,378	9,416,575
Rendering of services	-	-	-	-	-	-	-	-	161,112	164,809	161,112	164,809
Total revenue from contracts with customers	3,884,090	4,217,187	452,331	602,855	4,133,940	4,092,139	570,017	504,394	161,112	164,809	9,201,490	9,581,384
Geographic markets												
Bahrain	3,884,090	4,217,187	452,331	602,855	3,325,453	3,228,436	570,017	504,394	161,112	164,809	8,393,003	8,717,681
Kuwait and other countries	-	-	-	-	808,487	863,703	-	-	-	-	808,487	863,703
Total revenue from contracts with customers	3,884,090	4,217,187	452,331	602,855	4,133,940	4,092,139	570,017	504,394	161,112	164,809	9,201,490	9,581,384
Timing of revenue recognition												
At a point in time	3,884,090	4,217,187	452,331	602,855	4,133,940	4,092,139	570,017	504,394	-	-	9,040,378	9,416,575
Over the time	-	-	-	-	-	-	-	-	161,112	164,809	161,112	164,809
Total revenue from contracts with customers	3,884,090	4,217,187	452,331	602,855	4,133,940	4,092,139	570,017	504,394	161,112	164,809	9,201,490	9,581,384

Trafco Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

4 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

The following table presents the disaggregation of the Group's revenue from contracts with customers for the nine-month periods ended 30 September 2019 and 30 September 2018:

	Wholesale		Retail		Dairy products and beverages		Fruits and vegetables		Storage and logistics		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Types of revenue												
Sale of goods	12,846,426	13,163,025	1,366,704	1,940,172	12,010,961	12,424,160	1,760,707	1,667,576	-	-	27,984,798	29,194,933
Rendering of services	-	-	-	-	-	-	-	-	538,500	521,535	538,500	521,535
Total revenue from contracts with customers	12,846,426	13,163,025	1,366,704	1,940,172	12,010,961	12,424,160	1,760,707	1,667,576	538,500	521,535	28,523,298	29,716,468
Geographic markets												
Bahrain	12,846,426	13,163,025	1,366,704	1,940,172	9,718,875	10,047,326	1,760,707	1,667,576	538,500	521,535	26,231,212	27,339,634
Kuwait and other countries	-	-	-	-	2,292,086	2,376,834	-	-	-	-	2,292,086	2,376,834
Total revenue from contracts with customers	12,846,426	13,163,025	1,366,704	1,940,172	12,010,961	12,424,160	1,760,707	1,667,576	538,500	521,535	28,523,298	29,716,468
Timing of revenue recognition												
At a point in time	12,846,426	13,163,025	1,366,704	1,940,172	12,010,961	12,424,160	1,760,707	1,667,576	-	-	27,984,798	29,194,933
Over the time	-	-	-	-	-	-	-	-	538,500	521,535	538,500	521,535
Total revenue from contracts with customers	12,846,426	13,163,025	1,366,704	1,940,172	12,010,961	12,424,160	1,760,707	1,667,576	538,500	521,535	28,523,298	29,716,468

5 SEASONALITY OF RESULTS

Net investment income for the nine-month period ended 30 September 2019 amounting to BD 668,011 (2018: BD 556,356) is of a seasonal nature.

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of Trafco by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased by the Company and held as treasury shares, as follows:

	<i>Three-month period ended 30 September (Reviewed)</i>		<i>Nine-month period ended 30 September (Reviewed)</i>	
	2019	2018	2019	2018
Profit for the period attributable to shareholders of TRAFCO – (BD)	241,290	380,117	1,299,502	1,627,410
Weighted average number of shares, net of treasury shares	74,424,401	77,012,109	75,547,383	77,027,243
Basic and diluted earnings per share (fils)	3	5	17	21

Basic and diluted earnings per share are the same as the Company has not issued any instruments that would have a dilutive effect.

7 RIGHT-OF-USE ASSETS

The movements in the carrying value of right-of-use assets during the period, was as follows:

	<i>Land BD</i>	<i>Buildings BD</i>	<i>Motor vehicles BD</i>	<i>Total BD</i>
As at 1 January 2019 (note 2)	1,625,516	841,301	22,475	2,489,292
Remeasurement of leases and new leases during the period	-	145,807	-	145,807
Depreciation for the period	(102,921)	(192,447)	(7,656)	(303,024)
As at 30 September 2019	1,522,595	794,661	14,819	2,332,075

8 FINANCIAL INSTRUMENTS

Set out below is an overview of the financial instruments held by the Group as at 30 September 2019 and 31 December 2018:

<i>Financial assets</i>	<i>Amortised cost BD</i>	<i>Fair value through other comprehensive income BD</i>	<i>Total BD</i>
At 30 September 2019 (Reviewed)			
Non-trading investments	-	12,430,537	12,430,537
Trade and other receivables	8,434,527	-	8,434,527
Cash, bank balances and short-term deposits	2,758,996	-	2,758,996
	11,193,523	12,430,537	23,624,060

8 FINANCIAL INSTRUMENTS (continued)

<i>Financial assets</i>	<i>Amortised cost BD</i>	<i>Fair value through other comprehensive income BD</i>	<i>Total BD</i>
<i>At 31 December 2018 (Audited)</i>			
Non-trading investments	-	10,960,631	10,960,631
Trade and other receivables	8,377,042	-	8,377,042
Bank balances and cash	1,987,607	-	1,987,607
	<u>10,364,649</u>	<u>10,960,631</u>	<u>21,325,280</u>
		30 September 2019 (Reviewed) BD	31 December 2018 (Audited) BD
Financial liabilities at amortised cost			
Trade and other payables		5,379,421	6,538,671
Import loans		3,882,193	2,299,147
Lease liabilities		2,383,740	-
Bank overdrafts		1,054,017	186,498
Term loans		936,814	474,921
Retentions payable		74,100	9,005
		<u>13,710,285</u>	<u>9,508,242</u>

9 FAIR VALUE MEASUREMENT

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

Fair value of financial instruments

The fair value of financial instruments are estimated based on the following methods and assumptions:

- Cash, bank balances and short-term deposits, bank overdrafts, a portion of trade and other receivables, retentions payable and a portion of trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Term loans, import loans and lease liabilities are evaluated by the Group based on parameters such as interest rates. As at 30 September 2019 and as at 31 December 2018, the carrying amounts are not materially different from their fair values; and
- Fair value of quoted equity investments and quoted debt instruments is derived from quoted market prices in active markets and in the case of unquoted non-trading investments using fair value provided by the investment managers or fair values determined based on unobservable inputs using market multiples or other appropriate valuation methodologies.

The fair values of financial assets and liabilities are not materially different from their carrying values as at 30 September 2019 and as at 31 December 2018.

Fair value of non-financial assets and liabilities

The Group does not have any non-financial assets or liabilities which have been remeasured at fair value as at 30 September 2019 and as at 31 December 2018.

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At 30 September 2019 (Reviewed)

9 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the interim condensed consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

30 September 2019 (Reviewed)				
	Quoted prices in active markets Level 1 BD	Significant observable inputs Level 2 BD	Significant unobservable inputs Level 3 BD	Total BD
Assets measured at fair value				
<i>Non-trading investments:</i>				
- Quoted equity investments	7,908,196	-	-	7,908,196
- Unquoted equity investments	-	-	4,222,341	4,222,341
- Quoted debt instruments	300,000	-	-	300,000
	8,208,196	-	4,222,341	12,430,537
31 December 2018 (Audited)				
	Quoted prices in active markets Level 1 BD	Significant observable inputs Level 2 BD	Significant unobservable inputs Level 3 BD	Total BD
Assets measured at fair value				
<i>Non-trading investments:</i>				
- Quoted equity investments	6,774,530	-	-	6,774,530
- Unquoted equity investments	-	-	3,886,101	3,886,101
- Quoted debt instruments	300,000	-	-	300,000
	7,074,530	-	3,886,101	10,960,631

Liabilities measured at fair value:

There were no liabilities measured at fair value as of 30 September 2019 and 31 December 2018.

During the nine-month period ended 30 September 2019 and year ended 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and there are no transfers into or out of Level 3 fair value measurements.

Level 3 equity securities have been estimated using indicative bids provided by the fund administrators, use of recent arm's length market transactions, current fair value of another similar instrument or other appropriate valuation techniques including net asset value and market multiples.

9 FAIR VALUE MEASUREMENT (continued)

Movements in the fair values of financial assets classified as level 3 category were as follows:

	30 September 2019 (Reviewed) BD	31 December 2018 (Audited) BD
At beginning of the period / year	3,886,101	3,808,170
Change in fair values	336,240	77,931
At end of the period / year	4,222,341	3,886,101

10 TREASURY SHARES

Treasury shares represent 6,250,651 [31 December 2018 (Audited): 3,740,117] shares, representing 7.75% [31 December 2018 (Audited): 4.64%] of the issued, subscribed and fully paid-up share capital of the Company. During the period, the Company repurchased 2,510,534 (2018: 100,000) additional shares for a cash consideration of BD 777,999 (2018: BD 32,088).

11 DIVIDENDS

At the annual general meeting of the shareholders held on 31 March 2019, a final cash dividend of 18 fils per share, excluding treasury shares, totaling BD 1,367,729 for the year ended 31 December 2018 was declared and paid (30 September 2018: At the annual general meeting of the shareholders held on 26 March 2018, a final cash dividend of 16 fils per share, excluding treasury shares, totaling BD 1,232,559 for the year ended 31 December 2017 was declared and paid). Dividends payable are included within 'Trade and other payables' in the interim consolidated statement of financial position as at 30 September 2019 and as at 31 December 2018.

12 LEASE LIABILITIES

Lease liabilities relating to the Group's leases for land, warehouses, supermarkets outlets, office buildings and motor vehicles and disclosed in the interim consolidated statement of financial position as follows:

	30 September 2019 (Reviewed) BD
Non-current lease liabilities	1,889,506
Current lease liabilities	494,234
	2,383,740

The movements in the lease liabilities during the period, were as follows:

	30 September 2019 (Reviewed) BD
As at 1 January 2019 on adoption of IFRS 16 (note 2)	2,489,292
Remeasurement of right-of-use assets and addition during the period	145,807
Interest expense for the period	101,350
Payments during the period	(352,709)
As at 30 September 2019	2,383,740

13 COMMITMENTS AND CONTINGENCIES

As at 30 September 2019, the Group has capital expenditure commitments of BD 506,210 [31 December 2018 (Audited): BD 264,486].

Tender, advance payment and performance guarantees issued by banks on behalf of the Group, in the normal course of business, outstanding as at 30 September 2019 amounted to BD 869,436 [31 December 2018 (Audited): BD 864,436].

14 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

Wholesale	Import and distribution of foodstuff.
Retail	Import and distribution of foodstuff through supermarkets.
Investments	Investment in quoted and unquoted securities (including investments in an associate).
Dairy products and beverages	Production, processing and distribution of dairy products, juices, ice-cream, bottling of water and other items.
Fruits and vegetables	Import and distribution of fruits, vegetables and other food items.
Storage and logistics	Providing of storage and logistics services.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained later in a table, is measured differently from operating profit or loss in the interim condensed consolidated financial statements.

Transfer prices between operating segments are set in a manner similar to transactions with third parties.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, right of use assets, inventories, trade and other receivables, cash, bank balances and short-term deposits. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of term loans, import loans, lease liabilities, trade and other payables and bank overdrafts. Whilst the majority of the liabilities can be directly attributed to individual business segments, the carrying amounts of certain liabilities used jointly by two or more segments is allocated to the segments on a reasonable basis.

Inter-segment revenues, transactions, assets and liabilities are eliminated upon consolidation and reflected in the adjustment and eliminations column.

Revenue from operations for the nine-month period ended 30 September 2019 in the State of Kuwait amounted to BD 2,292,086 (2018: BD 2,376,834) and loss for the nine-month period ended 30 September 2019 amounted to BD 124,616 (2018: BD 75,436). The remaining revenue and profit for the period is generated from the primary geographical segment in the Kingdom of Bahrain.

At 30 September 2019, total assets in the State of Kuwait amounted to BD 1,062,148 [31 December 2018 (Audited): BD 1,038,276] and total liabilities amounted to BD 979,006 [31 December 2018 (Audited): BD 927,279]. All remaining assets and liabilities arise from the primary geographical segment in the Kingdom of Bahrain.

Trafo Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

14 SEGMENT REPORTING (continued)

Three-month period ended 30 September 2019 (Reviewed)

The following table presents the details of segmental operating results for the three-month periods ended 30 September 2019 and 30 September 2018:

	Wholesale			Retail			Investments			Dairy products and beverages			Fruits and vegetables			Storage and logistics			Adjustments and eliminations			Total		
	2019			2018			2019			2018			2019			2018			2019			2018		
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Revenue - third parties	3,884,090	4,217,187	452,331	602,855	-	-	-	-	-	4,133,940	4,092,139	570,017	504,394	161,112	164,809	-	-	-	-	-	-	9,201,490	9,581,384	-
Revenue - inter segments	225,569	267,450	-	-	-	-	-	-	-	13,913	6,034	92	25,651	36,761	44,627	-	-	-	(276,335)	(363,762)	-	-	-	-
Total revenue	4,109,659	4,504,637	452,331	602,855	-	-	-	-	-	4,147,853	4,098,173	570,109	530,045	197,873	209,436	-	-	-	(276,335)	(363,762)	-	9,201,490	9,581,384	-
Costs of revenue (excluding depreciation)	(3,539,833)	(3,892,150)	(392,524)	(532,057)	-	-	-	-	-	(2,716,945)	(2,827,450)	(485,279)	(432,119)	(47,488)	(52,404)	-	-	-	234,095	327,270	-	(6,946,974)	(7,408,910)	-
Gross profit	570,826	612,487	59,807	70,798	-	-	-	-	-	1,430,908	1,270,723	84,830	97,926	150,385	157,032	-	-	-	(42,240)	(36,492)	-	2,254,516	2,172,474	-
Other operating income	57,025	31,167	10,178	34,672	-	-	-	-	-	27,629	27,169	2,288	11,132	6,481	6,265	-	-	-	18,480	(45,489)	-	122,081	64,836	-
Expenses (excluding depreciation)	(529,148)	(557,661)	(59,699)	(72,572)	-	-	-	-	-	(835,772)	(672,812)	(91,498)	(94,945)	(34,296)	(23,867)	-	-	-	72,931	47,238	-	(1,477,482)	(1,374,639)	-
Depreciation	(51,802)	(25,644)	(23,315)	(5,824)	-	-	-	-	-	(192,256)	(130,199)	(14,204)	(11,455)	(75,316)	(72,050)	-	-	-	4,132	4,128	-	(352,761)	(241,044)	-
Profit (loss) from operations	46,901	60,449	(13,029)	27,074	-	-	-	-	-	430,509	494,861	(18,584)	2,658	47,254	67,280	-	-	-	53,303	(30,615)	-	546,354	621,727	-
Investment income - net (including share of results from an associates)	-	-	-	-	255,016	354,555	-	-	-	-	-	-	-	-	-	-	-	-	(203,832)	(342,306)	-	51,184	12,249	-
Finance costs	(56,533)	(30,757)	(4,219)	(1,490)	-	-	-	-	-	(2,514)	(3,552)	(14,933)	(12,257)	(25,015)	(29,603)	-	-	-	(49,172)	34,739	-	(152,386)	(42,920)	-
Foreign exchange gains - net	-	-	-	-	-	-	-	-	-	3,017	1,672	-	-	-	-	-	-	-	-	-	-	3,017	1,672	-
(Loss) profit for the period	(9,632)	29,692	(17,248)	25,584	255,016	354,555	-	-	-	431,012	493,001	(33,517)	(9,599)	22,239	37,677	-	-	-	(199,701)	(338,182)	-	448,169	592,728	-

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At 30 September 2019 (Reviewed)

14 SEGMENT REPORTING (continued)

Nine-month period ended 30 September 2019 (Reviewed)

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The following table presents the details of segmental operating results for the nine-month periods ended 30 September 2019 and 30 September 2018:

	Foodstuff				Dairy products and beverages				Fruits and vegetables				Storage and logistics				Adjustments and eliminations				Total	
	Wholesale		Retail		Investments		2018		2019		2018		2019		2018		2019		2018		2019	
	2019	2018	2019	2018	2019	2018	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Revenue - third parties	12,846,426	13,163,025	1,366,704	1,940,172	-	-	-	-	12,010,961	12,424,160	1,760,707	1,667,576	538,500	521,535	-	-	-	-	-	-	28,523,298	29,716,468
Revenue - inter segments	733,905	1,066,416	-	-	-	-	-	-	41,782	34,221	4,260	80,108	102,022	105,472	-	-	(881,969)	(1,286,217)	-	-	-	-
Total revenue	13,580,331	14,229,441	1,366,704	1,940,172	-	-	-	-	12,052,743	12,458,381	1,764,967	1,747,684	640,522	627,007	-	-	(881,969)	(1,286,217)	-	-	28,523,298	29,716,468
Costs of revenue (excluding depreciation)	(11,695,568)	(12,277,292)	(1,190,263)	(1,714,330)	-	-	-	-	(8,146,140)	(8,551,053)	(1,450,228)	(1,408,450)	(161,404)	(142,565)	-	-	765,623	1,180,745	(21,878,000)	(22,913,046)	-	-
Gross profit	1,884,743	1,952,149	176,441	225,842	-	-	-	-	3,906,603	3,907,328	314,739	339,234	479,118	484,341	-	-	(116,346)	(105,472)	6,645,298	6,803,422	-	-
Other operating income	178,985	89,063	30,147	58,713	-	-	-	-	48,258	91,076	27,223	25,807	22,391	19,621	-	-	(112,001)	(130,141)	195,003	153,159	-	-
Expenses (excluding depreciation)	(1,771,400)	(1,899,271)	(158,351)	(228,857)	-	-	-	-	(2,263,506)	(2,185,417)	(274,085)	(254,816)	(95,898)	(87,014)	-	-	216,917	137,722	(4,346,323)	(4,297,653)	-	-
Depreciation	(155,838)	(78,766)	(56,263)	(18,207)	-	-	-	-	(549,376)	(397,977)	(41,502)	(33,788)	(224,451)	(214,767)	-	-	12,362	12,386	(1,015,048)	(731,140)	-	-
Profit (loss) from operations	136,490	263,195	(8,026)	37,491	-	-	-	-	1,141,379	1,415,010	26,375	76,436	181,100	221,161	-	-	952	(85,505)	1,478,930	1,927,788	-	-
Investment income - net (including share of results of an associate)	-	-	-	-	1,339,538	1,470,371	-	-	(6,750)	(24,642)	(42,627)	(36,650)	(78,038)	(78,879)	-	-	11,430	97,891	(280,116)	(140,411)	-	-
Finance costs	(154,080)	(93,769)	(10,051)	(4,362)	-	-	-	-	793	18,375	-	-	-	-	-	-	-	-	793	18,375	-	-
Foreign exchange gains, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Loss) profit for the period	(17,590)	169,426	(18,077)	33,129	1,339,538	1,470,371	-	-	1,136,022	1,406,743	(16,252)	39,786	103,122	142,282	-	-	(683,797)	(1,031,247)	1,842,966	2,232,490	-	-
Capital expenditure	628,655	124,825	36,408	4,947	-	-	-	-	741,812	559,176	77,656	36,450	38,084	40,501	-	-	-	-	1,522,615	765,901	-	-

The following table presents segment assets and liabilities as at 30 September 2019 and 31 December 2018:

	Foodstuff				Dairy products and beverages				Fruits and vegetables				Storage and logistics				Adjustments and eliminations				Total	
	Wholesale		Retail		Investments		2018		2019		2018		2019		2018		2019		2018		2019	
	30 September	31 December	30 September	31 December	30 September	31 December	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Assets	15,245,703	13,331,324	1,206,677	811,917	20,023,321	19,149,862	-	-	12,969,843	10,862,388	1,805,050	1,674,390	3,571,403	3,680,445	-	-	(9,646,923)	(8,855,202)	45,175,074	39,755,114	-	-
Liabilities	9,363,350	6,158,891	882,311	475,220	-	-	-	-	4,587,337	3,803,033	1,354,035	1,194,732	2,118,861	2,331,018	-	-	(3,024,872)	(2,965,937)	15,281,022	11,006,957	-	-

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15 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, companies having common directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the interim consolidated statement of income for the nine-month periods ended 30 September 2019 and 30 September 2018 respectively are as follows:

<i>Nine-month period ended 30 September 2019 (Reviewed)</i>				
	<i>Revenue BD</i>	<i>Purchase of goods and services BD</i>	<i>Other income BD</i>	<i>Expenses BD</i>
Associated companies	29,607	7,469	-	-
Common directors	316,293	672,187	462,017	228,789
	345,900	679,656	462,017	228,789
<i>Nine-month period ended 30 September 2018 (Reviewed)</i>				
	<i>Revenue BD</i>	<i>Purchase of goods and services BD</i>	<i>Other income BD</i>	<i>Expenses BD</i>
Associated companies	-	114,063	5,974	-
Common directors	332,063	781,805	282,647	266,099
	332,063	895,868	288,621	266,099

Balances of the related parties included in the interim consolidated statement of financial position as at 30 September 2019 and as at 31 December 2018 are as follows:

	<i>At 30 September 2019 (Reviewed)</i>		<i>At 31 December 2018 (Audited)</i>	
	<i>Due from related parties BD</i>	<i>Due to related parties BD</i>	<i>Due from related parties BD</i>	<i>Due to related parties BD</i>
Associated companies	18,610	2,653	2,998	7,014
Common directors	132,199	237,945	244,195	274,781
	150,809	240,598	247,193	281,795

Terms and conditions of transactions with related parties

Purchases and revenue from related parties are made at normal market prices. Outstanding balances at the period-end and year-end arose in the normal course of business are unsecured, interest free and settlement occurs in cash.

15 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the nine-month period ended was as follows:

	<i>Nine-month period ended</i>	
	<i>30 September (Reviewed)</i>	
	2019	2018
	BD	BD
Short-term benefits	324,416	266,058
Employees' end of service benefits	14,029	5,518
	338,445	271,576