ANNUAL REPORT 2009

ترافكو

TRAFCO

General Trading & Food Processing Co. (B.S.C.)

Success through Synergy

www.trafco.com

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

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

His Royal Highness
Prince Salman Bin Hamad Al Khalifa
The Crown Prince and
Deputy Supreme Commander

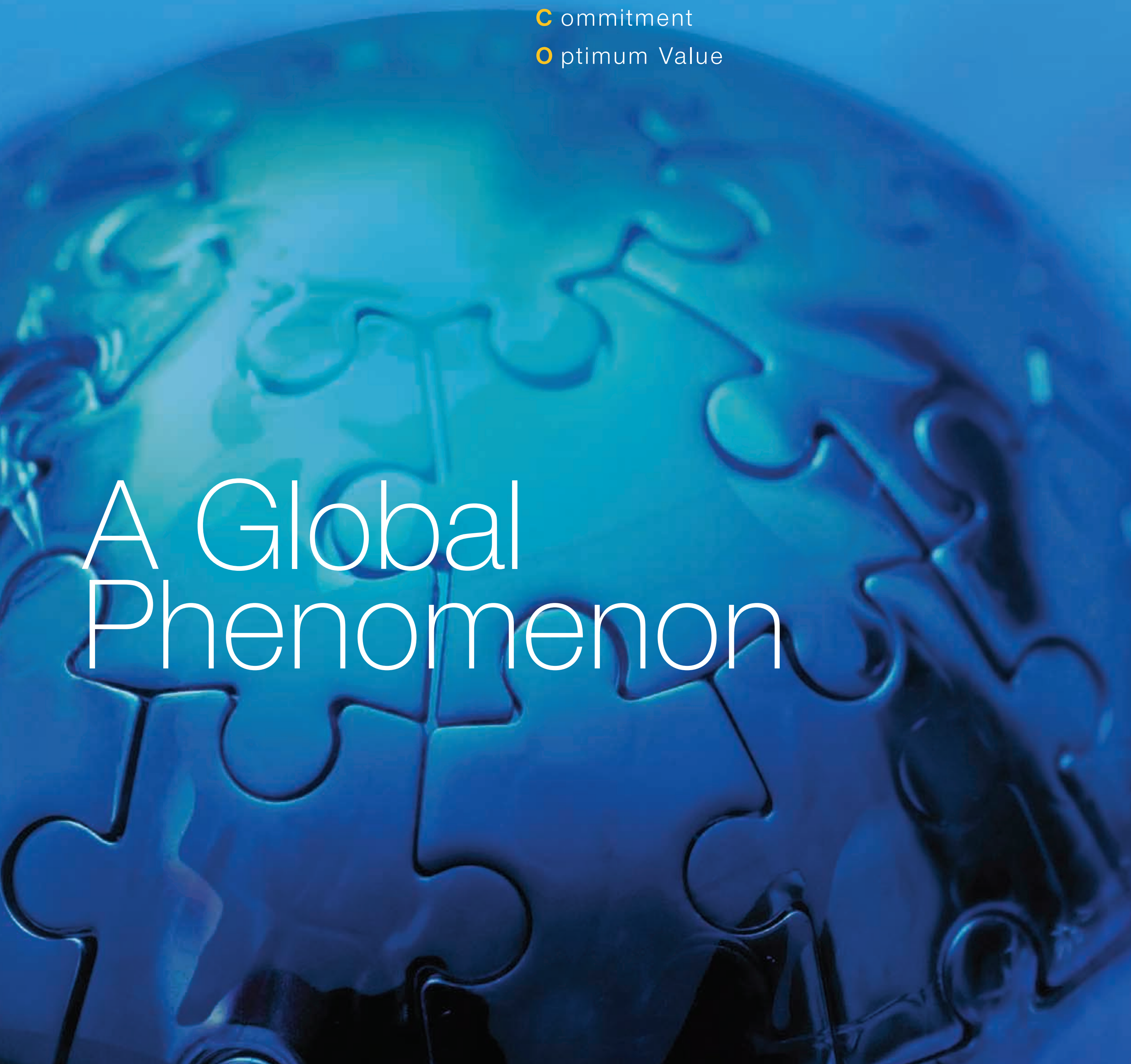
Vision

To ensure customer satisfaction by delivering superior quality products, the highest level of service and diverse range of world-leading brands at the most competitive prices, thus, establishing ourselves as the premier Food Company in the GCC.

Values

The company is guided by the following core values in its endeavour to realise its corporate vision:

T eamwork
R eliability
A ccountability
F airness
C ommitment
O ptimum Value



A Global Phenomenon

Company Profile

3 decades of Dedication

It all began in 1978 with a single-minded aim to entice the taste buds and enhance the health of customers, when General Trading and Food Processing Company B.S.C. (TRAFCO) was established as a Public Limited Company in the Kingdom of Bahrain. Over the years, the company en route to success has achieved several milestones, earned itself the reputation of being in the FMCG industry and evolved into a rapidly-developing entity. It has and continues to introduce many renowned brands from across the globe with the assurance of excellent quality and exceptional service. Born out of a vision to be at the forefront of the food industry, TRAFCO is today a household name synonymous with some of the finest food products in the world. Moreover, being one of the oldest shareholding companies in Bahrain, it has gained trust and admiration for its commitment to quality, value and service excellence.

Serving Bahrain with the best from across the globe

At TRAFCO, it is our resolve to provide quality food products from around the world at highly affordable prices. With an extensive range comprising canned, chilled, frozen & dry food & non-food products, general commodities, fresh fruits and vegetables as well as livestock imported from countries such as Australia, Brazil, Europe, the Far East, India, UK, USA, besides Arab and Middle Eastern countries, we are confident of exceeding our customers' expectations and in the course, achieving our goals.

Import & Distribution Division

Import & Distribution being the core division of TRAFCO, makes the Company one of the largest & biggest Fast Moving Consumer Goods Conglomerate in Bahrain. Some of the international brands in the portfolio are Sadia, Rainbow, Daawat, Al Bhaja, Royal Norfolk, OKI, Pride, Honig, Noor, Tata tea etc. to name a few. The division's primary focus is to ensure the availability of best quality Food & Non food products of international standards to consumers of Bahrain around the clock. Stringent and reliable quality control systems are in place in order to realize these objectives.

Retail Division - Metro Supermarkets

Spanning various parts of Bahrain, Metro, the retail wing of TRAFCO, is undoubtedly one of the most rapidly expanding supermarket chain in the Kingdom for their strict adherence to quality control and standards, these supermarkets have been, over the years, patronized by discerning customers who value superior products and services. Besides, Metro is the only convenience supermarket chain in Bahrain with a dedicated Butchery Section for its customers. Metro has established strong presence in Manama, Muharraq, Tubli, Mina Salman, Budaiya, Um Al Hassam, Bukhawara, Gudaibya, Bahrain University, and East Riffa. The chain, however is all set to expand further with many more convenience stores, thus, getting closer to customers. A new company Metro Market Co. S.P.C. has been formed, which will be an addition to the fully owned subsidiaries to become the retail arm of Trafco for catering to the needs of all the households in Bahrain.

Fresh Fruits & Vegetables Division

TRAFCO has a separate division which handles import and distribution of fresh fruits, vegetables and egg from different parts of the world by air, land and sea. Some of the many satisfied customers who testify to the company's strength of fresh and good quality products include five star hotels, supermarkets, restaurants and government institutions.

Expansion through diversification

TRAFCO fully owns Bahrain Water Bottling and Beverage Co. S.P.C., Bahrain Fresh Fruits Co. S.P.C. and majority stake in Awal Dairy Company W.L.L. and Qatari Bahraini Food Trading Co (QBC) located in Qatar. It is also a major shareholder in Bahrain National Cold Storage Company (BANZ) and Bahrain Livestock Company.

Milestones of 2009

LOGISTIC COMPLEX

Initiated in the year 2008, the US $ 14 million logistic company TRAFCO Logistics in Galali is ready to commence it's operations from March 2010 onwards and will propel Trafco into the elite group of Logistic solution provider in Bahrain. This state-of-the-art logistic facility located in close proximity to the new commercial sea port will make the complex the most sought after for third party logistic.

Glimpse of the future

Success, as we all know, is not the destination but an on-going process. We, at TRAFCO, strongly believe in this philosophy. Reason why, the company is all set to expand further in the future, thus, underscoring the management's objectives to serve not only the local market but also across the GCC region.

Quality - Always an Assurance

Authorised Capital	BD 10,000,000
Issued and Paid Up Capital	BD 8,067,505

Head Office

Mina Salman Industrial Area
Building: 42 Road 117, Manama 343
P. O. Box: 20202, Manama, Kingdom of Bahrain
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Website: www.trafco.com

Telephone (PABX): (+973) 17 729000 (13 lines)
Fax: (+973) 17 727380

Executive Committee

1) Ebrahim Mohamed Ali Zainal
2) Yousuf Saleh Al Saleh
3) Khalid Abdulrahman Almoayed
4) Dr. Esam Abdulla Fakhro

Executive Management

V. Sundar Rajan - General Manager	17 729107	mgttr@trafco.com.bh
Sameer A. Alkhan - Assistant General Manager	17 723343	sameer@trafco.com.bh
S. Sridhar - Group Financial Controller	17 725897	finanz@trafco.com.bh
Hussain Buchiri - Human Resources Manager	17 825314	hrmtr@trafco.com.bh
Azzam Moutragi - Sales Manager	17 723524	salestr@trafco.com.bh
Ali Ramadan Nasser - Stores Manager	17 729410	trafco@batelco.com.bh
Prasanth P.J. - Purchase Manager	17 725780	purchtr@trafco.com.bh
Sathyan Das - Retail Operations Manager	17 813007	metro@trafco.com.bh
P. Suresh Menon - IT Manager	17 723692	smenon@trafco.com.bh
Tharol Soma Rajan - Finance Manager	17 827059	chacts@trafco.com.bh
Kakkati Narayanan - Catering Manager	17 257969	cattr@trafco.com.bh
Francisco J. Sequeira - Chief Engineer	17 729000	trafco@batelco.com.bh

Other Department Managers

S. Mukherjee - General Manager, BWBB	17 336700	bwbb@batelco.com.bh
Anwar Sadath - General Manager, BFFC	17 470935	bffc@batelco.com.bh

Other Departments

Sales Department	17 727208
Accounts Department - Head Office	17 827059
Fresh Fruits & Vegetables Division - Central Market	17 276603
Accounts Department - Central Market	17 276603

Banks

1) National Bank of Bahrain (B.S.C.)
2) Bank of Bahrain and Kuwait (B.S.C.)
3) Bahrain Islamic Bank (B.S.C.)
4) Ahli United Bank Bahrain (B.S.C.) (c)
5) Bank Muscat International
6) Standard Chartered Bank
7) BNP Paribas
8) Shamil Bank
9) Kuwait Finance House

Subsidiary Companies

Subsidiary Companies	Place of Incorporation	Effective Ownership Interest
1) Bahrain Water Bottling & Beverage Co. S.P.C.	Bahrain	100%
2) Bahrain Fresh Fruits Co. S.P.C.	Bahrain	100%
3) Awal Dairy Co. W.L.L.	Bahrain	51%
4) Kuwait Bahrain Dairy Co. W.L.L. (98% Owned By Awal Dairy Co. W.L.L.)	Kuwait	

Associate Companies

Associate Companies	Place of Incorporation	Effective Ownership Interest
1) Saudi International Dairy Co. (50% Owned By Awal Dairy Co. W.L.L.)	Saudi Arabia	50%
2) Qatari Bahraini Food Trading Co. L.L.C.	Qatar	50%
3) Bahrain Livestock Company B.S.C. (C)	Bahrain	33%

Board of Directors

Ebrahim Mohamed Ali Zainal
Chairman

Yousuf Saleh Al Saleh
Vice Chairman

Khalid Abdulrahman Almoayed
Director & Executive Committee Member

Dr. Esam Abdulla Fakhro
Director & Executive Committee Member

Ibrahim Salahuddin
Director

Sami Mohammed Jalal
Director

Jehad Yousif Amin
Director

Abdul Reda Mohamed Aldaylami
Director

Ali Yousuf Abdulrahman Engineer
Director

Fouad Ibrahim Kanoo
Director

Executive Management

V.Sundar Rajan
General Manager

Sameer A.AlKhan
Assistant General Manager

S.Sridhar
Group Financial Controller

Hussain Buchiri
Human Resources Manager

Azzam Moutragi
Sales Manager

Ali Ramadan Nasser
Stores Manager

Prasanth P.J.
Purchase Manager

Sathyan Das
Retail Operations Manager

P.Suresh Menon
IT Manager

Tharol Soma Rajan
Finance Manager

Kakkati Narayanan
Catering Manager

Francisco J.Sequeira
Chief Engineer

Report of the Board of Directors

In the name of Allah, Most Gracious, Most Merciful

The year 2009 began with the tremor of the world economy with recession, falling prices coupled with the melt-down of the international financial system with no sight of turnaround. This unprecedented climate had its toll on the food industry also during the first half of the year resulting in drop of margins due to the food companies resorting to liquidation of the high priced stock at below cost in order the avert stock expiry loss. Trafco, with our usual prudent and cautious policy managed to reduce the existing stock levels and started procuring stock at the lower prices. This approach helped us to generate profits in the second half of 2009 when prices started going up.

Despite the challenges in the global financial markets impacting the food markets, Trafco continues to be a leader in the import and distribution of food commodities and is able to achieve sales of BD 20 million with a slight decline of 5% over the previous year figure of BD 21.4million. However the group sales have increased to BD 35.10 million against BD 34.56 million last year. The net profit for the group attributable to Trafco equity holders after consolidating the results of subsidiaries has decreased from previous year's BD 2.006 million to BD 1.598 million, a 20.3% drop.

Coping with the increased demand on food products which warrants the requirement of more warehousing space, the company has constructed a new state-of-the-art warehouse at Gallali in 10,700 sq. mtr area with 82,000 cubic metres storage capacity. The total cost of the project is BD 5.1 million and the operations will start in the coming weeks. The board felt that this project would accommodate the additional storage space required as a result of increased sales volume as well as provide additional revenue renting out excess storage area to third parties.

Awal Dairy Company (ADC)

ADC is one of Trafco group's investments in food commodities industry with 51% share. Despite the steep increase of raw materials and packing materials and competition from imported products the ADC group has reported a net profit of BD 366k compared to BD 320k of last year with the sales of 2009 amounting to BD 12.4million as against BD 12.7million last year. We are delighted to see the efforts of this subsidiary in distribution of their products both in local and foreign markets with the percentage of exports being 54% of the total sales. The products are now present prominently in the markets of Kuwait, Jordan, Saudi Arabia and Iraq under our name or under private labelling.

Retail Operations - Metro Markets

In continuation of the company's policy on opening new outlets in the residential neighbourhoods, we recently opened a branch at Muharraq being the 11th metro market of our retail segment. We are also planning to open the 12th metro market at Gallali area in Muharraq during the 2nd half of the year. All the Metros are serving the needs of families with easy access to the products of the company and its subsidiaries especially the fresh and frozen meat with prices set by the State. In order to focus more on the administration of the metro markets, it was decided to bring all the Metros under a new company Metro Market Co. S.P.C. fully owned by Trafco. The legal formalities have been completed and the new company's operations would start during the 1st quarter 2010.

Bahrain Fresh Fruits Company (BFFC)

Trafco acquired 50% of the shares of BFFC from its erstwhile partners Abbar & Zainy, Saudi Arabia and the company is now a 100% subsidiary of Trafco. As a result of the transition period of the transfer of ownership, the sales suffered a drop this year at BD 3.1million compared to BD 4.67million last year. With the induction of the new management during the last quarter of 2009, revaluation of their assets and with the consolidation of their accounts with parent company, we are confident that the new management and their business plan for bringing new agencies would be a source for future profit for the group in the coming years.

Bahrain Water Bottling & Beverages Company (BWBB)

During the middle of 2009, a new General Manager was appointed and the operations of the company are monitored by a committee formed from the board members of Trafco. Inspite of the fierce competition in trading of water, losses in 2009 have been brought under control from BD 97k last year to BD 63k this year. The company concentrates in tapping new market opportunities with the introduction of new brands and product lines like 330ml bottles that would attract consumers. The company also focuses on private labelling business with some hotels and major corporations. The company is also planning for new lines in packaging in the New Year with further improvement in quality and more focus on exports.

Qatari Bahraini Food Trading Company – Doha (QBC)

QBC is yet to make an aggressive leap due to the unprecedented developments during its first year of operation. The company's first full year operations reported a sales of QR 9.4million with the net loss at QR 925k. The board discussed the performance of the company and the budget for 2010 in its last meeting and we hope to see positive results in the new year.

Bahrain Livestock Company (BLSC)

Trafco owns 33% of the shares of this company and despite our efforts in bringing in more live sheep and chilled meat with the government subsidy in regulating the prices, the company reported losses of BD 361k during the year. The company suffered losses as a result of several factors like increased feed cost, increasing mortality rates of animals during summer, drop in the prices of skin and other by-products in the global market which lead to the decline of other income.

Major disinvestments

During 2009 Trafco sold its franchise restaurant 'Applebees' to a Saudi company and in April 2009 we sold our stake of 60% in M/s Food Supply Co (Foosco) to the other minority shareholder Yousuf Abdulrahman Holding Co. The decision to exit was due to the expansion requirement of both the projects which the Board considered not viable. This was properly announced at the time through Bahrain Stock Exchange.

Change in Accounting Policy

As per the change in accounting policy, the directors' remuneration for the year 2008 paid in 2009 BD 134,000 and the charities provision of BD 40,000 after the AGM's approval are adjusted in the Profit of the year 2009. Hence the distributable profit carried forward from 2008 is restated to BD 618,801 and the same treatment has been followed for the year 2009 as confirmed by the external auditors M/s Ernst & Young.

Distribution of Profits by the Board

The Group's distributable net profit for the financial year ended 31 December 2009 amounted to BD 1,598,452 as per the audited financials. With the opening retained earnings of last year at BD 618,801 the total distributable profit for this year (after adding BD 117,978 being the adjustment of non-distributable profit due to discontinued operations from Foosco) would be BD 2,335,231. The Board of Directors recommends the distribution of the year's profits as follows:

- Statutory Reserve	BD 159,845
- General Reserve	BD 50,000
- Dividends at 16%, amounting to	BD 1,250,543
Retained Earnings carried to 2010	**BD 874,843**
- Allocated to Donation and Charity	BD 25,000
- Directors' Remuneration	BD 90,000
Amount to be adjusted in 2010 Profit	**BD 115,000**

Report of the Board of Directors

Information Relating to Board Members

1. The Board of Directors formed from amongst its members a number of committees and boards whose responsibilities were to supervise and oversee the operations of the company and its associates. The number of meetings convened during the year 2009 are as follows:

- Board:	5 meetings
- Executive Committee:	7 meetings.
- Audit Committee:	4 meetings
- Applebee's Committee:	1 meeting.
- Bahrain Water Bottling Co. board:	4 meetings.
- Bahrain Fresh Fruits Co. board:	3 meetings

2. The members of the committees and the Board of Directors received sitting fees of BD 17,325 in 2009 (BD 25,075 in 2008).

3. Pursuant to a resolution by the General Assembly held on 11 March 2009, an amount of BD 134,000 was paid as Directors' Remuneration for the financial year ended 31 December 2008 (2007: BD 110,000)

Acknowledgment

The Directors, on behalf of the Shareholders, wish to express their thanks and appreciation to His Royal Majesty King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain, HRH Prince Khalifa Bin Salman Al Khalifa, the Prime Minister, HRH Prince Salman Bin Hamad Al Khalifa, the Crown Prince and the Deputy Supreme Commander of the Bahrain Defence Force and to all ministers and concerned government officials in the Kingdom of Bahrain for their generous and continuing support to the company and to its subsidiaries and associates.

Our thanks and appreciation goes to the management and all employees of the Group for their dedication and hard work which resulted in the growth of the company and its performance. We also express our gratitude to our valued customers and clients for their continued patronage and their confidence and trust reposed in our products and services.

"And say: Work; so Allah will see your work and (so will) His Apostle and the believers". Al Tawba, The Holy Qur'an

Ebrahim Mohamed Ali Zainal
Chairman

28 February 2010
Kingdom of Bahrain

Independent Auditors' Report to the Shareholders of General Trading and Food Processing Company B.S.C.

We have audited the accompanying consolidated financial statements of General Trading and Food Processing Company B.S.C. ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2009 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Regulatory Matters

We confirm that, in our opinion, proper accounting records have been kept by the Company and the consolidated financial statements and the contents of the Report of the Board of Directors, relating to these consolidated financial statements are in agreement therewith. We further report, to the best of our knowledge and belief that, no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the Company have occurred during the year ended 31 December 2009 that might have had a material adverse effect on the business of the Group or on its consolidated financial position.

Ernst + Young

28 February 2010
Manama, Kingdom of Bahrain

Consolidated Statement of Income

Year ended 31 December 2009

	Notes	2009 BD	2008 BD (Restated)
Sales		35,084,301	34,566,545
Cost of sales		(27,850,150)	(27,560,951)
GROSS PROFIT		7,234,151	7,005,594
Other operating income	7	236,490	304,936
Selling and distribution expenses		(1,485,579)	(1,547,047)
General and administrative expenses		(1,260,990)	(1,004,938)
Personnel costs	9	(2,831,531)	(2,840,565)
Depreciation and amortisation	11 & 12	(488,726)	(315,570)
PROFIT FROM OPERATIONS		1,403,815	1,602,410
Investment income	8	696,993	918,290
Finance costs	9	(484,103)	(427,367)
Share of results of associates	13	(271,140)	216,449
Exchange (losses) gains (net)		(62,848)	121,310
PROFIT OF THE GROUP FOR THE YEAR FROM CONTINUING OPERATIONS		1,282,717	2,431,092
Gain on acquisition of a subsidiary	5	578,000	-
PROFIT OF THE GROUP FOR THE YEAR BEFORE DISCONTINUED OPERATIONS AND IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS		1,860,717	2,431,092
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations (net)	6	45,738	145,272
PROFIT OF THE GROUP FOR THE YEAR BEFORE IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS		1,906,455	2,576,364
Impairment of available-for-sale investments	14	(112,318)	(363,181)
PROFIT OF THE GROUP FOR THE YEAR	9	1,794,137	2,213,183
of which attributable to non-controlling interests		(195,685)	(207,154)
PROFIT ATTRIBUTABLE TO TRAFCO EQUITY HOLDERS		1,598,452	2,006,029
BASIC AND DILUTED EARNINGS PER SHARE (fils)	10	20	(Restated) 27
BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (fils)	10	20	(Restated) 25

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 BD	2008 BD (Restated)
PROFIT OF THE GROUP FOR THE YEAR	1,794,137	2,213,183
Other comprehensive loss		
Cumulative changes in fair value		
Realised gain included in the consolidated statement of income upon sale of available-for-sale investments (net)	(114,020)	(223,282)
Changes in fair value of available-for-sale investments (note 14)	(722,495)	(1,958,185)
Changes in fair value of associates' available-for-sale investments (note 13)	30,725	(288,896)
Foreign currency translation adjustment	(23,557)	10,216
Other comprehensive loss for the year	(829,347)	(2,460,147)
TOTAL COMPREHENSIVE INCOME (LOSS) OF THE GROUP FOR THE YEAR	964,790	(246,964)
of which attributable to non-controlling interests	(158,363)	(153,297)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO TRAFCO EQUITY SHAREHOLDERS	806,427	(400,261)

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

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 BD	2008 BD (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	10,441,983	7,300,590
Intangible assets	12	23,425	67,390
Investments in associates	13	1,510,142	2,531,093
Available-for-sale investments	14	9,364,023	10,941,926
		21,339,573	20,840,999
Current assets			
Inventories	16	7,682,587	9,576,556
Trade and other receivables	17	9,473,082	7,512,977
Bank balances and cash	18	296,478	1,254,991
		17,452,147	18,344,524
TOTAL ASSETS		38,791,720	39,185,523
EQUITY AND LIABILITIES			
Equity			
Share capital	19	8,067,505	8,067,505
Treasury shares	20	(560,224)	(560,224)
Share premium	21	3,386,502	3,386,502
Statutory reserve	22	2,313,487	2,153,642
General reserve	23	950,000	900,000
Cumulative changes in fair value		3,561,522	4,396,525
Retained earnings - distributable		874,843	618,801
Retained earnings - not distributable	24	52,703	127,703
Proposed appropriations		1,300,543	1,769,496
Equity attributable to equity holders of the parent		19,946,881	20,859,950
Non-controlling interests		1,103,241	1,213,933
Total equity		21,050,122	22,073,883
Non-current liabilities			
Term loans	26	1,286,803	2,074,228
Loans from non-controlling interests	27	627,000	839,000
Employees' end of service benefits	28	904,252	843,942
		2,818,055	3,757,170
Current liabilities			
Trade and other payables	29	6,050,268	6,565,538
Bank overdrafts	18	4,201,945	3,524,519
Term loans	26	1,565,360	1,327,832
Import loans	30	3,105,970	1,936,581
		14,923,543	13,354,470
Total liabilities		17,741,598	17,111,640
TOTAL EQUITY AND LIABILITIES		38,791,720	39,185,523

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 28 February 2010.

Ebrahim Mohamed Ali Zainal
Chairman

Yousuf Saleh Al Saleh
Vice Chairman

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

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 BD	2008 BD (Restated)
OPERATING ACTIVITIES			
Profit for the year from continuing operations		1,748,399	2,067,911
Profit for the year from discontinued operations (net)	6	45,738	145,272
Profit for the year		1,794,137	2,213,183
Adjustments for:			
Depreciation	11	767,686	752,943
Share of results of associates	13	271,140	(216,449)
Amortisation of intangible assets	12	109,193	17,284
Provision for employees' end of service benefits	28	145,650	193,704
Gain arising on acquisition of a subsidiary		(578,000)	-
Gain on disposal of discontinued operations (net)	6	21,521	-
Finance costs		484,103	433,250
Investment income		(714,284)	(942,308)
Impairment of available-for-sale investments	14	112,318	363,181
Foreign currency translation adjustment (net)		(23,557)	10,216
Profit on disposal of property, plant and equipment		(15,481)	(12,067)
		2,374,426	2,812,937
Working capital changes:			
Inventories		2,027,150	(2,859,112)
Trade and other receivables		(1,455,100)	(897,578)
Trade and other payables		(1,239,880)	342,662
Cash generated from (used in) operations		1,706,596	(601,091)
Charitable donations paid		(40,000)	(35,000)
Finance cost paid		(475,386)	(407,957)
Directors' remuneration paid		(134,000)	(110,000)
Employees' end of service benefits paid	28	(52,563)	(128,500)
Net cash from (used in) operating activities		1,004,647	(1,282,548)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,806,783)	(3,006,466)
Proceeds from disposal of property, plant and equipment		25,414	22,600
Intangible assets acquired		(1,551)	(517)
Net cash outflow on acquisition of a subsidiary	5	(506,347)	-
Purchase of available-for-sale investments	14	(93,816)	(2,070,285)
Proceeds from discontinued operations, net of cash disposed (net)		402,674	-
Proceeds from sale of available-for-sale investments		665,429	604,379
Dividends received from associates	13	161,805	158,332
Dividends received		612,593	586,607
Investment in associates	13	-	(401,280)
Purchase of treasury shares		-	(193,664)
Purchase consideration of branch		-	(50,000)
Net cash used in investing activities		(1,540,582)	(4,350,294)
FINANCING ACTIVITIES			
Proceeds from rights issue		-	3,626,223
Dividends paid		(1,719,496)	(1,217,066)
Dividends paid to non-controlling interests		-	(60,000)
Term loans availed		1,000,000	1,359,283
Repayment of term loans		(1,549,897)	(1,357,320)
Loans from non-controlling interests		-	389,000
Movement in import loans (net)		1,169,389	1,180,155
Net cash (used in) from financing activities		(1,100,004)	3,920,275
DECREASE IN CASH AND CASH EQUIVALENTS		(1,635,939)	(1,712,567)
Cash and cash equivalents at 1 January		(2,269,528)	(556,961)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	18	(3,905,467)	(2,269,528)

Non-cash transaction:
Non-cash transactions not included in the above consolidated statement of cash flows include BD 439,575 as retention payables to contractor for the construction of storage facility which has been adjusted against the purchase of property, plant and equipment above.

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

Consolidated Statement of Changes in Equity

Attributable to equity holders of the parent

	Notes	Share capital BD	Treasury shares BD	Share premium BD	Statutory reserve BD	General reserve BD
Balance at 1 January 2008 (as previously reported)		6,253,880	(366,560)	1,104,863	1,938,539	850,000
Adjustment relating to change in accounting policy	2	-	-	-	-	-
Balance at 1 January 2008 (as restated)		6,253,880	(366,560)	1,104,863	1,938,539	850,000
Profit for the year - 2008 (as restated)		-	-	-	-	-
Other comprehensive loss		-	-	-	-	-
Total comprehensive (loss) income for the year		-	-	-	-	-
Rights issue		1,344,584	(193,664)	2,281,639	-	-
2007 Appropriations						
Bonus shares issued	19	469,041	-	-	-	-
General reserve - 2007	23	-	-	-	-	50,000
Dividends paid	25	-	-	-	-	-
2008 - Proposed appropriations						
General reserve - 2008	23	-	-	-	-	-
Proposed dividend - cash	25	-	-	-	-	-
Transfer to statutory reserve	22	-	-	-	215,103	-
Dividends of subsidiary		-	-	-	-	-
Balance at 31 December 2008 (as restated)		8,067,505	(560,224)	3,386,502	2,153,642	900,000

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

Cumulative changes in fair value BD	Retained earnings distributable BD	Retained earnings not distributable BD	Proposed appropriations BD	Total reserves BD	Total shareholders' equity BD	Non-controlling interests BD	Total equity BD
6,802,815	452,371	127,703	1,881,107	13,157,398	19,044,718	1,120,636	20,165,354
-	145,000	-	(145,000)	-	-	-	-
6,802,815	597,371	127,703	1,736,107	13,157,398	19,044,718	1,120,636	20,165,354
-	2,006,029	-	-	2,006,029	2,006,029	207,154	2,213,183
(2,406,290)	-	-	-	(2,406,290)	(2,406,290)	(53,857)	(2,460,147)
(2,406,290)	2,006,029	-	-	(400,261)	(400,261)	153,297	(246,964)
-	-	-	-	2,281,639	3,432,559	-	3,432,559
-	-	-	(469,041)	(469,041)	-	-	-
-	-	-	(50,000)	-	-	-	-
-	-	-	(1,217,066)	(1,217,066)	(1,217,066)	-	(1,217,066)
-	(50,000)	-	50,000	-	-	-	-
-	(1,719,496)	-	1,719,496	-	-	-	-
-	(215,103)	-	-	-	-	-	-
-	-	-	-	-	-	(60,000)	(60,000)
4,396,525	618,801	127,703	1,769,496	13,352,669	20,859,950	1,213,933	22,073,883

Consolidated Statement of Changes in Equity

Attributable to equity holders of the parent

	Notes	Share capital BD	Treasury shares BD	Share premium BD	Statutory reserve BD	General reserve BD
Balance at 1 January 2009		8,067,505	(560,224)	3,386,502	2,153,642	900,000
Profit for the year - 2009		-	-	-	-	-
Other comprehensive loss		-	-	-	-	-
Total comprehensive (loss) income for the year		-	-	-	-	-
Discontinued operations	6	-	-	-	-	-
2008 Appropriations						
General reserve - 2008	23	-	-	-	-	50,000
Dividends paid	25	-	-	-	-	-
2009 - Proposed appropriations						
General reserve - 2009	23	-	-	-	-	-
Proposed dividend - cash	25	-	-	-	-	-
Transfer to statutory reserve	22	-	-	-	159,845	-
Balance at 31 December 2009		8,067,505	(560,224)	3,386,502	2,313,487	950,000

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

Cumulative changes in fair value BD	Retained earnings distributable BD	Retained earnings not distributable BD	Proposed appropriations BD	Total reserves BD	Total shareholders' equity BD	Non-controlling interests BD	Total equity BD
4,396,525	618,801	127,703	1,769,496	13,352,669	20,859,950	1,213,933	22,073,883
-	1,598,452	-	-	1,598,452	1,598,452	195,685	1,794,137
(792,025)	-	-	-	(792,025)	(792,025)	(37,322)	(829,347)
(792,025)	1,598,452	-	-	806,427	806,427	158,363	964,790
(42,978)	117,978	(75,000)	-	-	-	(269,055)	(269,055)
-	-	-	(50,000)	-	-	-	-
-	-	-	(1,719,496)	(1,719,496)	(1,719,496)	-	(1,719,496)
-	(50,000)	-	50,000	-	-	-	-
-	(1,250,543)	-	1,250,543	-	-	-	-
-	(159,845)	-	-	-	-	-	-
3,561,522	874,843	52,703	1,300,543	12,439,600	19,946,881	1,103,241	21,050,122

Notes to the Consolidated Financial Statements

At 31 December 2009

1 ACTIVITIES

General Trading and Food Processing Company B.S.C. ('the Company' or 'Trafco') is a public joint stock company whose shares are publicly traded on the Bahrain Stock Exchange, incorporated in the Kingdom of Bahrain by Amiri Decree No. 10 of November 1977. The Company is also registered in the Kingdom of Bahrain in accordance with the provisions of the Bahrain Commercial Companies Law of 1975, as amended, and operates under commercial registration (CR) number 8500. The Company has its registered office at PO Box 20202, Kingdom of Bahrain. The Company's main activity is trading in various kinds of food products.

The Group comprises of the Company and its following subsidiaries and associates:

Name	Country of incorporation	Ownership interest 2009	Ownership interest 2008	Year-end	Principal activity
Subsidiaries					
Bahrain Water Bottling & Beverages Company S.P.C. (BWBB)	Kingdom of Bahrain	100%	100%	31 December	Producing, bottling and marketing of sweet drinking water and beverages.
Bahrain Fresh Fruits Company S.P.C. (BFFC) (previously Bahrain Fresh Fruits Co.W.L.L.)	Kingdom of Bahrain	100%	50%*	31 December	Trading in fresh fruits and vegetables.
Awal Dairy Company W.L.L.	Kingdom of Bahrain	51%	51%	30 September	Production and supply of milk, juices, ice cream and tomato paste.
Kuwait Bahrain Dairy Company W.L.L.	State of Kuwait	98%**	98%**	30 September	Marketing and supply of milk, juices and associated products.
The Food Supply Company Limited W.L.L. (FOOSCO) ***	Kingdom of Bahrain	-	60%	31 December	Preparation and sale of sandwiches and other food items.
Associates					
Saudi International Dairy Company	Kingdom of Saudi Arabia	50%**	50%**	30 September	Dormant.
Bahrain Livestock Company B.S.C. (c) (BLSC)	Kingdom of Bahrain	33%	33%	31 December	Trading in livestock.
Qatari Bahraini Food Trading Co. L.L.C. (QBC)	State of Qatar	50%	50%	31 December	Trading in foodstuff.

* On 16 May 2009, BFFC became a 100% subsidiary (31 December 2008: an associate).
** Owned by Awal Dairy Company W.L.L.
*** During 2009, the Group disposed of its interest in FOOSCO.

The Group primarily operates in the Kingdom of Bahrain and partially in the State of Kuwait and the State of Qatar.

At 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis modified to include the measurement at fair value of available-for-sale investments.

The consolidated financial statements have been presented in Bahraini Dinars (BD) which is the functional currency of the Company.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law.

Basis of consolidation
Basis of consolidation from 1 January 2009
The consolidated financial statements comprise the financial statements of General Trading and Food Processing Company B.S.C. and its subsidiaries as at 31 December.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.
- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in comprehensive income.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Basis of consolidation prior to 1 January 2009
In comparison to the above mentioned requirements which were applied on a prospective basis, the following differences applied:

- Non-controlling interests represented the portion of profit or loss and net assets that were not held by the Group and were presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised as goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduces to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

During the year, the Group has changed its accounting policy for the treatment of directors' remuneration and charitable donations. This expenditure is now included in the consolidated statement of income whereas these had previously been included as appropriations in the consolidated statement of changes in equity. The directors believe the policy more accurately reflects the Group's consolidated financial position.

The effect of the change in accounting policy is disclosed below:

	Previously reported BD	Adjustments BD	Other reclass- -ifications BD	Restated BD
Consolidated statement of income for the year ended 31 December 2008				
General and administrative expenses	1,017,310	145,000	(157,372)	1,004,938
Profit of the Group for the year	2,358,183	(145,000)	-	2,213,183
Consolidated statement of financial position as on 31 December 2008				
Retained earnings - distributable	444,801	174,000	-	618,801
Proposed appropriations	1,943,496	(174,000)	-	1,769,496
Consolidated statement of changes in equity				
Retained earnings - distributable - 1 January 2008	452,371	145,000	-	597,371
Proposed appropriations - 1 January 2008	1,881,107	(145,000)	-	1,736,107

Other reclassifications relate to reclassifications for discontinued operations (refer note 6) and are presented as a reconciling item.

The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretation Committee (IFRIC) interpretations as of 1 January 2009:

- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements, effective 1 January 2009*
- *IFRS 2 Share-based Payment: Vesting Conditions and Cancellations, effective 1 January 2009*
- *IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions, effective 1 January 2010 (early adopted)*
- *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39, effective 1 July 2009 (early adopted)*
- *IFRS 7 Financial Instruments: Disclosures, effective 1 January 2009*
- *IFRS 8 Operating Segments, effective 1 January 2009*
- *IAS 1 Presentation of Financial Statements, effective 1 January 2009*
- *IAS 23 Borrowing Costs (Revised), effective 1 January 2009*
- *IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements- Puttable Financial Instruments and Obligations Arising on Liquidation, effective 1 January 2009*
- *IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement, effective for periods ending on or after 30 June 2009*
- *IFRIC 13 Customer Loyalty Programmes, effective 1 July 2008*
- *IFRIC 15 Agreement for the Construction of Real Estate, effective 1 January 2009*
- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective 1 October 2008*

At 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Changes in accounting policies and disclosures (continued)

When the adoption of the standard or interpretation is deemed to have an impact on the consolidated financial statements or consolidated performance of the Group, its impact is described below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39, effective 1 July 2009 (early adopted)

IFRS 3 (Revised), effective from 1 July 2009, introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended), effective from 1 July 2009, requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The Group has early adopted IFRS 3 (Revised) and IAS 27 (Amended) which led to a recognition of gain on acquisition of a subsidiary amounting to BD 578,000 in comparison to BD 289,000 which would have been recognised under the previous standard (refer note 5).

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 15. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 33.

IFRS 8 Operating Segments

The new standard which replaced IAS 14 'Segment Reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented in the consolidated financial statements and comparative information has been restated to conform to this presentation. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-makers. IFRS 8 disclosures are shown in note 35, including the related revised comparative information.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the consolidated financial position or consolidated performance of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Changes in accounting policies and disclosures (continued)

Improvements to IFRSs (continued)

IAS 18 Revenue

The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- *Has primary responsibility for providing the goods or service;*
- *Has inventory risk;*
- *Has discretion in establishing prices; and*
- *Bears the credit risk.*

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, consolidated financial position or consolidated performance of the Group:

- *IFRS 2 Share-based Payment*
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*
- *IFRS 7 Financial Instruments: Disclosures*
- *IAS 1 Presentation of Financial Statements*
- *IAS 7 Statement of Cash Flows*
- *IAS 19 Employee Benefits*
- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IAS 29 Financial Reporting in Hyperinflationary Economies*
- *IAS 39 Financial Instruments: Recognition and Measurement*
- *IAS 40 Investment Properties*
- *IAS 41 Agriculture*
- *IFRIC 9 Reassessment of Embedded Derivatives*
- *IFRIC 16 Hedge of a Net Investment in a Foreign Operation*

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer usually in delivery of the goods and the amount of revenue can be measured reliably. Promotional offers are included as revenue with a corresponding charge to selling and distribution costs.

Interest revenue is recognised as the interest accrues using the effective interest rate method.

Dividend revenue is recognised when the Group's right to receive the payment is established.

Business combinations and goodwill

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

At 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

Business combinations from 1 January 2009 (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 31 December 2008

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work-in-progress are not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Buildings on leasehold land	over 10 to 30 years
Plant, machinery and cold store equipment	over 2 to 10 years
Furniture, fixtures and office equipment	over 2 to 5 years
Motor vehicles	over 4 to 12 years

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

Intangible assets

Costs relating to franchise, application and territory fees are capitalised and amortised on a straight-line basis over their estimated useful lives of twenty years, being the term of the franchise agreement.

Costs relating to trademarks are amortised over a period of five years after registration.

Cost relating to other assets are amortised over a period of five years.

Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting. Associates are entities in which the Group has significant influence.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus the post acquisition changes in the Group's share of the net assets of the associates. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the share of the results of operations of the associates. Where there has been a change recognised directly in the statement of comprehensive income of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and therefore is profit after non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each consolidated statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

At 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, loans and receivables and available-for-sale investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking in to account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gains and losses are recognised in the consolidated statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Bad debts are written off in the consolidated statement of income when identified.

The Group assesses loans and receivables for impairment at each consolidated statement of financial position date. For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Available-for-sale investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is recognised in the consolidated statement of income.

Purchases or sales of available-for-sale investments that require delivery of investment within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the investment.

At 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets (continued)

Available-for-sale investments (continued)

For available-for-sale financial investments, the Group assesses at each consolidated statement of financial position date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income - is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings and trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Interest incurred on borrowings is charged to the consolidated statement of income.

Trade and other payables
Liabilities for trade and other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset."

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Finished goods	- Cost of direct materials and labour and proportion of manufacturing overheads based on normal operating capacity.
Goods for sale	- landed cost on a first-in, first-out basis.
Spare parts, raw materials and consumables	- landed cost on a weighted average basis.

Net realisable value is based on estimated selling price in ordinary course of business less any further costs expected to be incurred on completion and disposal.

At 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' end of service benefits

The Group makes contributions to the Social Insurance Organisation, for its national employees, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group also provides for end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Leases as lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Foreign currency transactions

The Group's consolidated financial statements are presented in Bahraini Dinars (BD), which is the Company's functional currency. That is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the consolidated statement of financial position date and all differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

At 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency transactions (continued)

Group companies

The assets and liabilities of foreign operations are translated into Bahraini Dinars at the rate of exchange prevailing at the consolidated statement of financial position date and their statement of incomes are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in the consolidated statement of comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded associates or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the consolidated statement of financial position date, gross trade receivables were BD 9,032,580 (2008: BD 7,531,874) and the allowance for impairment of trade receivables was BD 425,437 (2008: BD 473,616). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

At 31 December 2009

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *(continued)*

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the consolidated statement of financial position date, gross raw materials, consumables, spare parts, finished goods and goods for sale amounted to BD 6,888,566 (2008: BD 8,035,406), with provisions for old and obsolete inventories of BD 301,325 (2008: BD 302,865). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the assets' recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Management does not believe there is any impairment of property, plant and equipment.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of available-for-sale investments

The Group's management classifies investments as available-for-sale and recognises movements in their fair value in consolidated statement of comprehensive income. When the fair value declines, the management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in the consolidated statement of income. At 31 December 2009, impairment losses amounting to BD 112,318 (2008: BD 363,181) for available-for-sale investments have been recognised in the consolidated statement of income. In determining any impairment for the unquoted investments carried at cost, assumptions have been made regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Valuation of investments

Management uses its best judgment in determining fair values of the unquoted private equity investments by reference to recent, material arms' length transactions involving third parties. Nonetheless, the actual amount that will be realised in a future transaction may differ from the current estimate of fair value, given the inherent uncertainty surrounding valuations of unquoted private equity investments.

The management is required to make judgement as to be comparability of other companies to an unquoted equity investments when determining the Price Earning Ratio (PE ratio) used to value that investment. Management uses its best judgement, however the actual amount realised in a future transaction may differ from the current estimates of fair value given the inherent uncertainty surrounding the valuation of unquoted private equity investments.

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4 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below:

- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009*
- *IFRIC 17 Distributions of Non-cash Assets to Owners, effective 1 July 2009*
- *IFRIC 18 Transfers of Assets from Customers, effective 1 July 2009*

It is not expected that the implementation of these standards, revisions and amendments will have any impact on the Group's consolidated financial performance or consolidated financial position.

5 BUSINESS COMBINATION

Previously, the Group had a 50% stake in Bahrain Fresh Fruits Company S.P.C. (BFFC) (previously Bahrain Fresh Fruits Co.W.L.L.) . On 16 May 2009, the Group acquired the remaining 50% of BFFC making it the sole shareholder. As a result, from 16 May 2009, BFFC became a subsidiary of the Group and has been consolidated from that date. BFFC is engaged in the trading of fresh fruits and vegetables in the Kingdom of Bahrain.

The fair values of the assets and liabilities of BFFC on the date of acquisition and the gain resulting out of the acquisition are as follows:

	Carrying value BD	Fair value BD
ASSETS ACQUIRED		
Property, plant and equipment	964,953	1,452,953
Inventories	205,083	205,083
Prepayments and other receivables	577,141	577,141
Bank balance and cash	112,383	112,383
	1,859,560	2,347,560
LESS: LIABILITIES ASSUMED		
Employees' end of services benefits	36,306	36,306
Trade and other payables	585,793	585,793
	622,099	622,099
NET ASSETS	1,237,461	1,725,461
GAIN ARISING ON ACQUISITION		
Fair value of intangible assets acquired		90,000
Less: Carrying value of BFFC already carried in the books		(618,731)
Purchase consideration paid in cash		(618,730)
Gain on acquisition of a subsidiary		578,000

The net cash inflow on the acquisition of BFFC is as follows:

Bank balance and cash	112,383
Consideration paid	(618,730)
Net cash outflow	(506,347)

From the date of acquisition, BFFC has contributed BD 2,008,659 of revenue and a loss of BD 153,123 which is included in the profit of the Group. If the combination had taken place at the beginning of the year, revenue of BFFC for the four and a half month period amounting to BD 1,071,348 would have been included in the revenue from continuing operations for the Group which would have been BD 36,155,649 and the loss of BFFC for the four and a half month period amounting to BD 90,426 would have been included in the profit for the year for the Group from continuing operations which would have been BD 1,192,291.

6 DISCONTINUED OPERATIONS

During the year, the Group sold its Applebee's restaurant business in the Kingdom of Bahrain for a consideration of BD 288,920, resulting in a gain of BD 22,940.

During the year, the Group also disposed of one of its subsidiaries - The Food Supply Company W.L.L. (FOOSCO), which prepares and sells sandwiches and other food items within the Kingdom of Bahrain. The consideration for the sale of the subsidiary consisted of the transfer of 60% of the investment portfolio of FOOSCO plus a cash consideration of BD 486,398 resulting in a net loss of BD 1,419.

The results from discontinued operations are presented below:

	2009			2008		
	Applebee's BD	FOOSCO BD	Total BD	Applebee's BD	FOOSCO BD	Total BD
Revenue	54,870	210,666	265,536	452,357	852,459	1,304,816
Cost of goods sold	(22,169)	(135,944)	(158,113)	(138,031)	(515,002)	(653,033)
Gross profit	32,701	74,722	107,423	314,326	337,457	651,783
Other income	-	18,063	18,063	-	33,226	33,226
Expenses	(49,729)	(51,540)	(101,269)	(300,432)	(239,305)	(539,737)
Profit (loss) on sale	22,940	(1,419)	21,521	-	-	-
Profit for the year	5,912	39,826	45,738	13,894	131,378	145,272

	2009	2008
Earnings per share from discontinued operations (fils)	0.59	1.95

The above comparative figures for the year ended 31 December 2008 have been reclassified to conform with the presentation in the current period. The reclassification has been done to disclose the results of discontinued operations in accordance with IFRS 5. Such reclassifications do not affect previously reported retained earnings or shareholders' equity.

The above comparative figures relating to FOOSCO and Applebee's which formed a part of 'Others' reportable operating segment have been reclassified to 'Profit for the year from discontinued operations' for the year ended 31 December 2008 in note 35 'Segment reporting'.

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6 DISCONTINUED OPERATIONS *(continued)*

Gain (loss) on disposal (net)

	Applebee's On date of disposal Unaudited BD	FOOSCO On date of disposal Unaudited BD	Total On date of disposal Unaudited BD
Assets			
Property, plant and equipment	216,161	564,138	780,299
Intangible assets	26,323	-	26,323
Available-for-sale investments	-	396,251	396,251
Inventories	23,496	48,406	71,902
Trade and other receivables	-	72,136	72,136
Cash and short term deposits	-	369,305	369,305
Total assets	265,980	1,450,236	1,716,216
Liabilities			
Loans from FOOSCO's shareholders	-	530,000	530,000
Employees' end of services benefits	-	69,083	69,083
Trade and other payables	-	178,518	178,518
Total liabilities	-	777,601	777,601
Net assets	265,980	672,635	938,615
Percentage of shareholding disposed	100%	60%	
Carrying value of net assets disposed	265,980	403,581	669,561
Cost associated with the disposal	-	3,339	3,339
	265,980	406,920	672,900
Consideration received			
in cash (net)	288,920	168,398	457,318
investment portfolio	-	237,103	237,103
	288,920	405,501	694,421
Gain (loss) on disposal (net)	22,940	(1,419)	21,521

The fair value of the investment portfolio received as part of the consideration for FOOSCO was determined on the basis of the closing market price of respective investments at the date of disposal. An amount of BD 318,000 included in the loan from FOOSCO's shareholders, was repaid to TRAFCO.

The net cash flows of FOOSCO and Applebee's included in the consolidated statement of cash flows for the year are as follows:

	2009 BD	2008 BD
Operating	39,357	239,022
Investing	(352,014)	(186,978)
Financing	(75,000)	62,000
Net cash (outflow) inflow	(387,657)	114,044

At 31 December 2009

7 OTHER OPERATING INCOME

This represents income from letting out of cold storage facilities, rebates, profit on disposal of property, plant and equipment and other miscellaneous income of the Group.

8 INVESTMENT INCOME

	2009 BD	2008 BD (Restated)
Dividend income	595,302	562,589
Profit on sale of available-for-sale investments	101,691	355,701
	696,993	918,290

9 PROFIT OF THE GROUP FOR THE YEAR

Profit of the Group for the year is stated after charging:	2009 BD	2008 BD (Restated)
Finance costs		
Interest on bank overdrafts	202,734	126,874
Interest on term loans and import loans	258,977	292,899
Bank charges	22,392	7,594
	484,103	427,367
Staff costs		
Salaries and wages	2,400,524	2,689,302
Contributions to Social Insurance Organisation (SIO)	309,430	213,714
Other benefits	1,094,952	1,357,654
	3,804,906	4,260,670
The staff costs have been allocated in the consolidated statement of income as follows:		
Cost of sales	916,911	1,168,735
Personnel costs	2,831,531	2,840,565
Profit for the year from discontinued operations	56,464	251,370
	3,804,906	4,260,670

	2009 BD	2008 BD (Restated)
Inventories recognised as expense upon sale of finished goods	24,855,491	24,559,490
Write down of inventories to net realisable value	25,220	102,241
Operating lease rentals	238,886	260,466

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10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2009	2008 (Restated)
Profit for the year attributable to TRAFCO equity shareholders from continuing operations – BD	1,552,714	1,860,757
Profit for the year attributable to TRAFCO equity shareholders from discontinued operations – BD (note 6)	45,738	145,272
Profit for the year attributable to TRAFCO equity shareholders – BD	1,598,452	2,006,029
Weighted average number of shares, net of treasury shares	78,158,923	74,517,472
Basic and diluted earnings per share (fils)	20	27
Basic and diluted earnings per share from continuing operations (fils)	20	25

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

There have been no other transactions involving ordinary or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

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11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land BD	Buildings on leasehold land BD	Plant, machinery and cold store equipment BD	Furniture, fixtures and office equipment BD	Motor vehicles BD	Capital work-in-progress BD	Total BD
Cost:							
At 1 January 2009	119,501	3,818,533	9,748,182	1,317,238	2,197,150	2,377,690	19,578,294
Additions	-	23,138	55,472	51,081	218,875	2,897,792	3,246,358
Acquisition of a subsidiary (note 5)	-	1,068,000	244,698	18,941	121,314	-	1,452,953
Transfers	-	27,781	60,012	97,577	-	(185,370)	-
Disposals	-	(11,569)	(4,039)	(32,214)	(234,521)	-	(282,343)
Discontinued operations	-	(388,887)	(405,585)	(77,691)	(67,393)	(489,392)	(1,428,948)
At 31 December 2009	119,501	4,536,996	9,698,740	1,374,932	2,235,425	4,600,720	22,566,314
Depreciation:							
At 1 January 2009	-	2,695,120	6,740,785	1,135,421	1,706,378	-	12,277,704
Depreciation charge for the year	-	130,285	423,920	75,011	138,470	-	767,686
Disposals	-	(3,653)	(4,031)	(32,130)	(232,596)	-	(272,410)
Discontinued operations	-	(232,704)	(306,708)	(70,754)	(38,483)	-	(648,649)
At 31 December 2009	-	2,589,048	6,853,966	1,107,548	1,573,769	-	12,124,331
Net book value:							
At 31 December 2009	119,501	1,947,948	2,844,774	267,384	661,656	4,600,720	10,441,983

Buildings and plant and machinery, with a net book value of BD 83,369 (2008: BD 119,357) are located on land owned by the Government of the Kingdom of Bahrain. No lease agreement exists between the Government and the Group.

Buildings and plant and machinery of a subsidiary, with net book values of BD 960,872 (2008: BD 1,036,708), are situated on land leased from Government of the Kingdom of Bahrain. The lease is for a period of 5 years expiring in 2014 and is renewable at the subsidiary's option.

Buildings of a subsidiary, with net book values of BD 217,413 (2008: BD 238,107), are situated on land leased from related parties. The lease is for a period of 10 years expiring in 2015 and is renewable at the subsidiary's option.

Property, plant and equipment of a subsidiary, with net book values of BD 2,171,764 (2008: BD 2,408,822), are mortgaged as a security for term loans (note 26).

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11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Freehold land BD	Buildings on leasehold land BD	Plant, machinery and cold store equipment BD	Furniture, fixtures and office equipment BD	Motor vehicles BD	Capital work-in-progress BD	Total BD
Cost:							
At 1 January 2008	119,501	3,850,465	9,539,608	1,227,702	2,112,998	171,106	17,021,380
Additions (including acquisition)	-	6,248	35,497	44,195	179,443	2,751,083	3,016,466
Transfers	-	33,440	438,867	49,799	22,393	(544,499)	-
Disposals	-	(71,620)	(265,790)	(4,458)	(117,684)	-	(459,552)
At 31 December 2008	119,501	3,818,533	9,748,182	1,317,238	2,197,150	2,377,690	19,578,294
Depreciation:							
At 1 January 2008	-	2,650,560	6,553,169	1,077,515	1,692,536	-	11,973,780
Depreciation charge for the year	-	116,180	447,535	62,280	126,948	-	752,943
Disposals	-	(71,620)	(259,919)	(4,374)	(113,106)	-	(449,019)
At 31 December 2008	-	2,695,120	6,740,785	1,135,421	1,706,378	-	12,277,704
Net book value:							
At 31 December 2008	119,501	1,123,413	3,007,397	181,817	490,772	2,377,690	7,300,590

The depreciation charge for the year has been allocated in the consolidated statement of income as follows:

	2009 BD	2008 BD (Restated)
Cost of sales	378,541	396,872
Depreciation and amortisation	379,533	298,286
Profit for the year from discontinued operations	9,612	57,785
	767,686	752,943

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12 INTANGIBLE ASSETS

	Franchise, application and territory fees BD	Trademarks BD	Other BD	Total BD
Cost:				
At 1 January 2008	38,087	51,163	-	89,250
Additions during the year	-	517	-	517
Acquisition of an entity	-	-	33,627	33,627
At 31 December 2008	38,087	51,680	33,627	123,394
Acquisition of a subsidiary (note 5)	90,000	-	-	90,000
Additions during the year	-	1,551	-	1,551
Disposal of division	(38,087)	-	-	(38,087)
At 31 December 2009	90,000	53,231	33,627	176,866
Amortisation and impairment:				
At 1 January 2008	9,530	29,190	-	38,720
Amortisation	1,908	10,336	5,040	17,284
At 31 December 2008	11,438	39,526	5,040	56,004
Amortisation	326	12,147	6,720	19,193
Write off	90,000	-	-	90,000
Disposal of division	(11,764)	-	-	(11,764)
At 31 December 2009	90,000	51,673	11,760	153,433
Net book value:				
At 31 December 2009	-	1,558	21,867	23,425
At 31 December 2008	26,649	12,154	28,587	67,390

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13 INVESTMENTS IN ASSOCIATES

	2009 BD	2008 BD
At 1 January	2,531,093	1,841,587
Increase in investment in BLSC	-	401,280
Purchase of shares in QBC	-	519,005
Carrying value of investment in BFFC taken over (note 5)	(618,731)	-
Share of results	(271,140)	216,449
Changes in fair value of available-for-sale investments	30,725	(288,896)
Dividends received during the year	(161,805)	(158,332)
At 31 December	1,510,142	2,531,093

The following table illustrates summarised financial information of the Group's investments in associates:

	2009 BD	2008 BD
Share of associates' statement of financial positions:		
Current assets	3,151,633	3,924,702
Non-current assets	646,600	713,310
Current liabilities	(2,278,851)	(2,064,644)
Non-current liabilities	(9,240)	(42,275)
Carrying amount of the investments	1,510,142	2,531,093
Share of associates' revenues and profits		
Revenue	6,545,821	7,940,072
(Loss) profits	(271,140)	216,449

14 AVAILABLE-FOR-SALE INVESTMENTS

	2009 BD	2008 BD
Quoted equity investments:		
- in Bahrain	5,487,400	6,429,348
- other GCC countries	696,488	520,301
	6,183,888	6,949,649
Unquoted investments:		
- equities:		
at cost	10,000	360,000
at fair value	1,367,720	1,765,445
- funds:		
at cost	1,367,479	1,444,012
at fair value	434,936	422,820
	3,180,135	3,992,277
Total available-for-sale investments	9,364,023	10,941,926
At 1 January	10,941,926	11,664,963
Investments received as consideration for disposal of discontinued operations (note 6)	237,103	-
Purchase of investments	93,816	2,070,285
Disposal of investments at book value	(677,758)	(471,956)
Disposal of investments relating to discontinued operation	(396,251)	-
Impairment in value	(112,318)	(363,181)
Changes in fair value during the year	(722,495)	(1,958,185)
At 31 December	9,364,023	10,941,926

14 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Movements in the provision for impairment in value of available-for-sale investments were as follows:	2009 BD	2008 BD
At 1 January	363,181	-
Recognised during the year	112,318	363,181
Write off during the year	(51,268)	-
At 31 December	424,231	363,181

Quoted investments

The fair values of the quoted ordinary shares are determined by reference to published price quotations in an active market.

Unquoted investments - funds

The fair values of unquoted investments have been estimated using indicative bids provided by the fund administrators. For the real estate funds, there are no readily observable market prices available and hence, these funds are carried at cost.

Unquoted investments - equity

The Group holds a non-controlling interest amounting to BD 1.2 million (2008: BD 1.6 million) in an entity which provides warehouse and storage facilities. The fair value of unquoted ordinary shares has been estimated using the price earnings ratio (PE ratio) of comparables companies. The valuation requires management to make certain assumptions about the comparability of the companies used when determining the PE ratio in the valuation. Management has determined that the potential offset of using the necessarily possible alternatives as inputs to the valuation model would reduce the fair value by BD 495,100 (2008: BD 641,439) using less favourable assumptions and increase the fair value by BD 247,550 (2008: BD 320,719) using more favourable assumptions.

The Group identified an impairment of BD 112,318 (2008: BD 363,181) on available-for-sale investments which is recognised in the consolidated statement of income.

15 FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
31 December 2009	BD	BD	BD	BD
Assets measured at fair value				
Available-for-sale investments - Quoted	6,183,888	-	-	6,183,888
Available-for-sale investments - Unquoted	-	564,907	1,237,749	1,802,656
31 December 2008				
Assets measured at fair value				
Available-for-sale investments - Quoted	6,949,649	-	-	6,949,649
Available-for-sale investments - Unquoted	-	584,668	1,603,597	2,188,265

During the years ended 31 December 2009 and 31 December 2008, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

At 31 December 2009

16 INVENTORIES

	2009 BD	2008 BD
Goods in transit	1,095,346	1,844,015
Raw materials and consumables [net of allowance of impairment of BD 57,522 (2008: BD 93,604)]	2,183,132	2,136,877
Spare parts and other items [net of allowance of impairment of BD 243,803 (2008: BD 209,261)]	344,557	388,286
Finished goods	1,073,166	762,074
Goods for sale	2,986,386	4,445,304
	7,682,587	9,576,556

Movements in the allowance for impairment of inventories were as follows:

	2009		2008	
	Raw materials and consumables BD	Spare parts and other items BD	Raw materials and consumables BD	Spare parts and other items BD
At 1 January	93,604	209,261	167,096	204,746
Charge for the year	36,717	34,542	28,675	4,589
Amounts written off	(25,220)	-	(102,167)	(74)
Reversed during the year	(47,579)	-	-	-
At 31 December	57,522	243,803	93,604	209,261

17 TRADE AND OTHER RECEIVABLES

	2009 BD	2008 BD
Trade receivables [net of allowance for impairment of BD 425,437 (2008: BD 473,616)]	8,535,055	6,993,720
Trade receivables - related parties (note 31)	72,088	64,538
	8,607,143	7,058,258
Other receivables	650,612	342,683
Deposits and prepayments	215,327	112,036
	9,473,082	7,512,977

Terms and conditions of the above financial assets are as follows:

- Trade receivables are non-interest bearing and are normally settled on 60-90 day terms.
- Other receivables are non interest-bearing and have an average term of one to three months.
- For terms and conditions of trade receivables - related parties, refer note 31.

As at 31 December 2009, trade receivables at an initial value of BD 425,437 (2008: BD 473,616) were impaired and fully provided for. For explanations on the Group's credit risk management processes, refer note 33.

Movements in the allowance for impairment of receivables were as follows:

	2009 BD	2008 BD
At 1 January	473,616	471,470
Charge for the year	63,759	31,863
Amounts written off	(61,684)	(19,060)
Amounts reversed	(50,254)	(10,657)
At 31 December	425,437	473,616

17 TRADE AND OTHER RECEIVABLES *(continued)*

As at 31 December, the ageing analysis of unimpaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired < 30 days	30 – 60 days	> 60 days
	BD	BD	BD	BD	BD
2009	8,535,055	4,502,734	1,396,497	1,080,851	1,554,973
2008	6,993,720	5,683,877	556,091	153,560	600,192

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows consist of the following consolidated statement of financial position amounts:

	2009 BD	2008 BD
Bank balances and cash on hand	296,478	274,010
Short term deposits	-	980,981
Bank balances and cash	296,478	1,254,991
Bank overdrafts	(4,201,945)	(3,524,519)
At 31 December	(3,905,467)	(2,269,528)

Short term deposits were placed with commercial banks in the Kingdom of Bahrain. These were denominated in Bahraini Dinars and had effective interest rates ranging from 2.05% to 5.50% per annum.

The bank overdraft balances are denominated mainly in Bahraini Dinars and United States dollars having a weighted average effective interest rate of 5.9% (2008: 5.6%) per annum.

At 31 December 2009, the Group had BD 3,637,476 (2008: BD 5,046,666) of undrawn borrowing facilities in respect of which all conditions precedent had been met.

19 SHARE CAPITAL

	2009 BD	2008 BD
Authorised:		
100,000,000 (2008: 100,000,000) shares of BD 0.100 each	10,000,000	10,000,000

Issued, subscribed and fully paid-up of BD 0.100 each:

	2009 Number of shares	2008 Number of shares	2009 BD	2008 BD
At 1 January	80,675,052	62,538,800	8,067,505	6,253,880
Issued during the year as bonus shares	-	4,690,410	-	469,041
Issued during the year as rights shares	-	13,445,842	-	1,344,584
At 31 December	80,675,052	80,675,052	8,067,505	8,067,505

At 31 December 2009

19 SHARE CAPITAL *(continued)*

In 2008, the Company increased the issued and fully paid-up share capital by 4,690,410 ordinary shares of 100 fils each amounting to BD 469,041 by an issue of 3 bonus shares for every 40 shares held. These shares rank pari passu with all other issued shares for future dividends and distributions. This bonus shares issue was made by a transfer from retained earnings.

In 2008, the Group also increased the issued and fully paid-up share capital by issuing 13,445,842 ordinary shares of 100 fils each amounting to BD 1,344,584 by an issue of 1 rights share for every 5 shares held at an exercise price of 275 fils including a premium of 175 fils per share. These shares rank pari passu with all other issued shares for future dividends and distributions.

	2009			2008		
Categories	Number of shares	Number of shareholders	% of total outstanding share capital	Number of shares	Number of shareholders	% of total outstanding share capital
Less than 1%	49,347,152	3,169	61	52,191,577	3,195	65
1% up to less than 5%	31,327,898	17	39	28,483,475	15	35
	80,675,050	3,186	100	80,675,052	3,210	100

20 TREASURY SHARES

Treasury shares represent 2,516,129 (2008: 2,516,129) shares held by the Company.

The Bahrain Commercial Companies Law permits the holding of up to 10% of issued shares as treasury shares.

21 SHARE PREMIUM

The share premium arose on the issue of shares in 2000 and rights shares issued in 2008 and is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

22 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued and paid up share capital.

The reserve cannot be utilised for the purpose of a distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

23 GENERAL RESERVE

The transfer to the general reserve has been made in accordance with the articles of association of the Company. The Company may resolve to discontinue such annual transfers when deemed appropriate. There are no restrictions on the distribution of this reserve.

24 RETAINED EARNINGS - NOT DISTRIBUTABLE

This represents the Group's share in the statutory reserves of its subsidiaries and is not available for distribution.

25 DIVIDENDS PAID AND PROPOSED

During the year, cash dividends of 22 fils per share, excluding treasury shares, totaling BD 1,719,496 relating to 2008 were declared and paid (2008: 20 fils per share, excluding treasury shares, totaling BD 1,217,066 relating to 2007).

A cash dividend of 16 fils per share, excluding treasury shares, totaling BD 1,250,543 (2008: cash dividend of 22 fils per share, excluding treasury shares, totaling BD 1,719,496) has been proposed and will be submitted for formal approval at the Annual General Meeting.

26 TERM LOANS

	2009 BD	2008 BD
a) Loan from BNP Paribas	750,000	-
b) Loan from Ahli United Bank - 1	687,500	937,500
c) Loan from National Bank of Bahrain	623,278	1,330,578
d) Loan from Bahrain Development Bank B.S.C.	313,136	466,613
e) Loan from Tetrapak Gulf 1	257,469	321,836
f) Term loans - Vehicles	90,871	13,182
g) Loan from Ahli United Bank - 2	58,003	118,737
h) Loan from Tetra Laval Credit AB	51,694	103,388
i) Loan from Tetrapak Gulf 2	20,212	40,425
j) Loan from BBK B.S.C.	-	69,801
	2,852,163	3,402,060

	2009 BD	2008 BD
Current	1,565,360	1,327,832
Non current	1,286,803	2,074,228
	2,852,163	3,402,060

a) The term loan has been obtained from BNP Paribas during the year and carries an effective interest rate of three months BIBOR plus 1.25% (2008: nil) per annum and is repayable in 12 equal quarterly instalments of BD 83,333 commencing April 2009.

b) The term loan has been obtained from Ahli United Bank B.S.C. and carries an effective interest rate of three months BIBOR plus 1.5% (2008: three months BIBOR plus 1%) per annum and is repayable in 16 equal quarterly instalments of BD 62,500 commencing October 2008.

c) The term loan has been obtained from National Bank of Bahrain B.S.C. and carries an effective interest rate of three months BIBOR plus 1.5% (2008: three months BIBOR plus 1.5%) per annum and is repayable in 12 equal quarterly instalments of BD 166,667 commencing January 2008.

d) The term loan has been obtained from Bahrain Development Bank B.S.C. and is secured over the entire assets of a subsidiary, and carries interest at a fixed rate of 6.45% (2008: 6.45%) per annum. This loan was rescheduled in 2007 and is to be repaid in 23 varying quarterly instalments commencing April 2007.

e) This loan has been provided under an asset finance scheme from Tetrapak Gulf towards the purchase of Tetrapak equipment with a net book value of BD 304,875 (2008: BD 321,262). The loan is denominated in United States dollars and is repayable in 5 equal annual instalments of US$ 170,690 commencing May 2009. The loan is non-interest bearing.

At 31 December 2009

26 TERM LOANS *(continued)*

f) These loans have been obtained for purchase of motor vehicles and are secured against the motor vehicles. These loans carry an effective interest rate of 5.81% per annum (2008: 5.81%). The loan is denominated in Bahraini Dinars and is repayable in varying instalments ending October 2014.

g) The term loan has been obtained from Ahli United Bank B.S.C and carries an effective interest rate of BIBOR plus 1.5% (2008: BIBOR plus 1.5%) per annum and is repayable in 36 equal monthly instalments of BD 3,250 including interest. The term loan is secured against a promissory note of BD 250,000 and the undertaking of the parent company to retain 100% shareholding in the subsidiary during the tenure of loan.

h) This loan has been provided under an asset finance scheme from Tetra Laval Credit AB towards the purchase of an ice cream extrusion machine with a net book value of BD 268,852 (2008: BD 291,904). The loan is denominated in Euros and is repayable in 4 equal annual instalments of Euros 109,988 commencing May 2007. The loan carries an effective rate of LIBOR plus 2.25% (2008: LIBOR plus 2.25%) per annum.

i) This loan has been provided under an asset finance scheme from Tetrapak Gulf towards the purchase of Tetrapak equipment with a net book value of BD 97,919 (2008: BD 107,102). The loan is denominated in United States dollars and is repayable in 5 equal annual instalments of US$ 53,600 commencing from January 2006. The loan does not carry any interest.

j) This term loan had been obtained from BBK B.S.C. and was fully repaid during the year. The loan carried an effective interest rate of BIBOR plus 2.75% per annum.

Loans instalments payable within twelve months from the consolidated statement of financial position date are disclosed as current portion; the remaining are disclosed as non-current.

27 LOANS FROM NON-CONTROLLING INTERESTS

Loans from non-controlling shareholders are unsecured and have no set repayment terms. The loans carry an effective interest rate of 4.84% (2008: 4.5%) per annum.

28 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2009 BD	2008 BD
At 1 January	843,942	778,738
Acquisition of BFFC (note 5)	36,306	-
Provided during the year	145,650	193,704
Transfer relating to disposal of FOOSCO (note 6)	(69,083)	-
End of service benefits paid	(52,563)	(128,500)
At 31 December	904,252	843,942

29 TRADE AND OTHER PAYABLES

	2009 BD	2008 BD
Trade payables	4,440,613	5,121,403
Accrued expenses	662,946	580,460
Other payables	329,540	308,637
Amounts due to related parties (note 31)	357,825	325,519
Unclaimed dividends	259,344	229,519
	6,050,268	6,565,538

At 31 December 2009

29 TRADE AND OTHER PAYABLES *(continued)*

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-90 day terms.
- Other payables are non-interest bearing and have an average term of one to three months.
- For terms and conditions relating to related parties, refer note 31.

For explanations on the Group credit risk management process, refer note 33.

30 IMPORT LOANS

These represent loans obtained from commercial banks for the import of raw materials and finished goods with a weighted average effective interest rate of 4.6% (2008: 6.10%) per annum and are secured by hypothecation of inventories and promissory notes issued by the Group.

31 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors, 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 and balances with related parties included in the consolidated statement of financial position and consolidated statement of income during the year are as follows:

Name	Relationship	Nature of transactions
Bahrain Livestock Company B.S.C. (c)	Associate company	Services rendered and dividend received.
Qatari Bahraini Food Trading Co. L.L.C.	Associate company	Services rendered.
Bahrain Fresh Fruits Co. W.L.L.	Associate company	Sales and dividend received.
Yousuf Abdul Rehman Engineer Holding W.L.L.	Common director	Services received.
Intershield W.L.L.	Common director	Insurance services.
United Paper Industries B.S.C. (c)	Common director	Purchase of packaging materials.
Bahrain Flour Mills Company B.S.C.	Common director	Purchase and sales of goods.
Delmon Poultry Company B.S.C.	Common director	Purchases.
Dar Al Wasat for Publishing and Distribution	Common director	Purchases.
Manama Travel Centre	Common director	Services received.
Mohammad Jalal Group	Common director	Purchase and sales of goods.
Saleh AL Saleh Company W.L.L.	Common director	Purchase and sales of goods.
Ebrahim K Kanoo B.S.C. (c)	Common director	Purchase of spare parts and services received.
Mohamed Ali Zainal Abdulla (MAZA)	Common director	Purchase and sales of goods.
Fakhro Electronics W.L.L.	Common director	Sales.
National Transport Establishment	Common director	Services received.
Budget Rent a Car	Common director	Services received.
Al Ahli Club	Common director	Sales.
Bahrain Cinema Co. B.S.C.	Common director	Sales.

31 December 2009	Sales BD	Purchase of goods and services BD	Other operating income BD	Due from related parties BD	Due to related parties BD
Associated companies	74,460	1,103	161,804	33,739	-
Common director	162,949	715,357	181,550	38,349	357,825
	237,409	716,460	343,354	72,088	357,825
31 December 2008					
Associated companies	31,500	61,425	158,332	13,265	1,177
Common director	203,551	684,711	64,686	51,273	324,342
	235,051	746,136	223,018	64,538	325,519

At 31 December 2009

31 RELATED PARTY TRANSACTIONS *(continued)*

Terms and conditions of transactions with related parties

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

For the years ended 31 December 2009 and 31 December 2008, the Group has not recorded any impairment of amounts owed by related parties.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2009 BD	2008 BD (Restated)
Short-term benefits	279,490	242,597
Directors' remuneration	134,000	110,000
Employees' end of service benefits	16,383	12,865
	429,873	365,462

32 COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments	2009 BD	2008 BD
Estimated capital expenditure relating to plant and equipment contracted at the consolidated statement of financial position date but not provided for	744,934	3,147,103

Unpaid investment commitments as of 31 December 2009 amounted to BD 96,631 (2008: BD 124,906).

All of the above commitments are expected to be settled within one year.

Operating lease commitments	2009 BD	2008 BD
Future minimum lease payments:		
Within one year	166,269	276,659
After one year but not more than five years	811,453	314,264
More than five years	80,058	187,149
Total operating lease expenditure contracted for at the consolidated statement of financial position date	1,057,780	778,072

Guarantees:

Guarantees in connection with the Group's trading activities outstanding, as of the year-end, amounted to BD 809,710 (2008: BD 611,015).

The parent company has guaranteed repayment of bank facility of a subsidiary to a limit of BD 500,000 (2008: nil).

At 31 December 2009

33 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

Introduction:
The Group's overdrafts financial liabilities comprise term loans, loans from non-controlling interests, unsecured loans, trade and other payables and bank overdrafts. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group has trade and other receivables and bank balances and cash that arise directly from its operations. The Group also holds available for-sale investments.

The Group is exposed to market risk, interest rate risk, equity price risk, credit risk, liquidity risk and currency risk.

Board of directors
The Board of directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Executive Committee
The Executive Committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Group and market and liquidity risks pertaining to the Group's investment activities by optimising liquidity and maximising returns from the funds available to the Group.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include available-for-sale investments, deposits, loans and borrowings and trade and other payables.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at 31 December 2009.

The analyses exclude the impact of movements in market variables on the carrying value of end of service benefits, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:
(a) The consolidated statement of financial position sensitivity relates only to available-for-sale instruments.
(b) The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2009.
(c) The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 31 December 2009 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest bearing assets and liabilities (short term deposits, bank overdrafts, term loans and loans from non-controlling interests).

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December. There is no impact on the Group's equity.

	Increase / decrease in basis points	Effect on profit BD
2009	+100	(70,541)
	-50	35,271
2008	+100	(88,632)
	-50	44,316

At 31 December 2009

33 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and placing limit on individual and total equity instruments. Reports on investment portfolio are submitted to the Executive Committee on a regular basis. The Executive Committee reviews and approves all investment decisions.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

		2009		2008	
	Change in equity price	Effect on equity BD	Effect on profit BD	Effect on equity BD	Effect on profit BD
Quoted investments					
- Bahrain	10%	548,740	-	642,935	-
	-10%	(534,487)	(14,253)	(632,458)	(10,477)
- other GCC countries	10%	69,649	-	52,030	-
	-10%	(61,628)	(8,021)	(46,298)	(5,732)
Unquoted investments at fair value					
- equities	10%	136,772	-	176,545	-
	-10%	(135,076)	(1,696)	(176,545)	-
- funds	10%	43,494	-	42,282	-
	-10%	(30,152)	(13,342)	(25,596)	(16,686)

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted. If the price earnings ratio changes favourably/ (unfavourably) by a ratio of +/- 1, it would cause a change in the fair value of the unquoted investment by BD 247,550 (BD 247,550) [2008: BD 320,719 (BD 320,719)] respectively.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group sells its products to a large number of wholesalers and retailers. Its 5 largest customers account for 32% of the outstanding trade receivables at 31 December 2009 (2008: 41%).

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as shown in the consolidated statement of financial position.

Liquidity risk

Liquidity risk is the risk that an enterprise will have difficulties in meeting its commitments. The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sale require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are normally settled within 60-90 days of the date of purchase/shipment.

At 31 December 2009

33 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

Liquidity risk (continued)

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

2009	On demand BD	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	Total BD
Trade and other payables	617,169	4,770,153	662,946	-	6,050,268
Bank overdrafts	-	4,262,715	-	-	4,262,715
Term loans	-	451,562	1,174,692	1,309,249	2,935,503
Import loans	-	3,128,185	-	-	3,128,185
Loans from non-controlling interests		-	52,763	718,400	771,163
Total	617,169	12,612,615	1,890,401	2,027,649	17,147,834

2008	On demand BD	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	Total BD
Trade and other payables	555,038	5,430,040	580,460	-	6,565,538
Bank overdrafts	-	3,564,169	-	-	3,564,169
Term loans	-	362,566	1,084,556	2,135,568	3,582,690
Import loans	-	1,875,844	73,253	-	1,949,097
Loans from non-controlling interests	-	7,008	22,468	876,755	906,231
Total	555,038	11,239,627	1,760,737	3,012,323	16,567,725

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

Other than trade payables of BD 27,778 (2008: BD 141,671) due in foreign currencies, mainly Euros, the Group is not exposed to significant currency risk. As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk. A 5% change in foreign exchange rates does not have a significant effect on the Group's performance.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

At 31 December 2009

33 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

Capital management (continued)

The Group monitors equity on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents. Equity comprises all components of equity (i.e. share capital, share premium, statutory reserve, general reserve, cumulative changes in fair value, retained earnings-distributable, retained earnings-not distributable and proposed appropriations less treasury shares).

	2009 BD	2008 BD
Loans and borrowings	6,585,133	6,177,641
Trade and other payables	6,050,268	6,565,538
Add: Cash and cash equivalents	3,905,467	2,269,528
Net debt	16,540,868	15,012,707
Total equity	21,050,122	22,073,883
Debt-to-equity ratio	79%	68%

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of available-for-sale investments, trade and other receivables, bank balances, cash and short-term deposits. Financial liabilities consist of term loans, loans from non-controlling interests, import loans, trade and other payables and bank overdrafts.

The fair values of financial instruments, with the exception of certain available-for-sale investments carried at cost, are not materially different from their carrying values.

35 SEGMENT REPORTING

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

Imported foodstuff - Wholesale	Import and distribution of foodstuff.
Imported foodstuff - Retail	Import and distribution of foodstuff.
Investments	Investment in quoted and unquoted securities (including investments in associates).
Dairy and beverages	Production, processing and distribution of dairy products and bottling of water.
Fruits and vegetables	Import and distribution of fruits, vegetables and other food items.
Discontinued operations	Other businesses, which includes preparation and sale of sandwiches and other food items.

At 31 December 2009

35 SEGMENT REPORTING *(continued)*

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 in the following table, is measured differently from operating profit or loss in the consolidated financial statements. The Group financing (including finance costs and finance income) is managed on a group basis and is not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis 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, inventories and trade receivables. 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 are allocated to the segments on a reasonable basis.

Revenue from operations for the year ended 31 December 2009 in the State of Kuwait amounted to BD 5,367,231 (2008: BD 6,316,609) and loss for the year ended 31 December 2009 amounted to BD 280,893 (2008: profit of BD 83,104). All remaining revenue and profit for the year is generated from the primary geographical segment in the Kingdom of Bahrain.

Total assets in the State of Kuwait amounted to BD 2,056,240 (2008: BD 2,132,132) and total liabilities amounted to BD 2,086,280 (2008: BD 2,040,257). All remaining assets and liabilities arise from the primary geographical segment in the Kingdom of Bahrain.

At 31 December 2009

35 SEGMENT REPORTING *(continued)*

31 December 2009

	Imported foodstuff							
	Wholesale BD	Retail BD	Investments BD	Dairy and beverages BD	Fruits and vegetables BD	Adjustments and eliminations BD	Continuing operations BD	Discontinued operations BD
Sales - third parties	16,180,700	3,696,022	-	13,274,550	1,933,029	-	35,084,301	265,536
Sales - inter segments	1,782,459	-	-	121,205	75,630	(1,979,294)	-	-
Total sales	17,963,159	3,696,022	-	13,395,755	2,008,659	(1,979,294)	35,084,301	265,536
Profit (loss)	1,167,227	83,616	-	659,740	(80,890)	-	1,829,693	38,884
Depreciation and amortisation	(238,250)	(76,214)	-	(103,834)	(70,428)	-	(488,726)	(9,612)
Investment income (including share of results from associates)	-	-	425,853	-	-	-	425,853	17,291
Finance costs – net	(265,313)	-	-	(253,637)	(12,414)	47,261	(484,103)	(825)
Gain on acquisition of a subsidiary	-	-	-	-	-	578,000	578,000	-
Impairment of available-for-sale investments	-	-	(112,318)	-	-	-	(112,318)	-
Profit of the Group for the year							1,748,399	45,738
Assets	16,020,890	311,572	13,761,215	10,230,089	2,107,413	(3,639,459)	38,791,720	-
Liabilities	10,145,795	-	-	7,714,086	1,023,075	(1,141,358)	17,741,598	-
Capital expenditure	2,919,342	113,721	-	207,743	1,458,505	-	4,699,311	-

At 31 December 2009

35 SEGMENT REPORTING *(continued)*

31 December 2008

	Imported foodstuff							
	Wholesale BD	Retail BD	Investments BD	Dairy and beverages BD	Fruits and vegetables BD	Adjustments and eliminations BD	Continuing operations BD	Discontinued operations BD
Sales - third parties	17,330,167	3,603,786	-	13,632,592	-	-	34,566,545	1,304,816
Sales - inter segments	1,750,718	-	-	191,069	-	(1,941,787)	-	-
Total sales	19,080,885	3,603,786	-	13,823,661	-	(1,941,787)	34,566,545	1,304,816
Profit	1,280,282	145,796	-	613,212	-	-	2,039,290	184,922
Depreciation and amortisation	(140,293)	(56,582)	-	(118,695)	-	-	(315,570)	(57,785)
Investment income (including share of results from associates)	-	-	1,134,739	-	-	-	1,134,739	24,018
Finance costs – net	(193,440)	-	-	(271,762)	-	37,835	(427,367)	(5,883)
Impairment of available-for-sale investments	-	-	(363,181)	-	-	-	(363,181)	-
Profit of the Group for the year							2,067,911	145,272
Assets	15,142,695	208,444	15,195,785	10,574,596	-	(3,013,298)	38,108,222	1,077,301
Liabilities	9,225,276	-	-	8,346,904	-	(1,302,695)	16,269,485	842,155
Capital expenditure	1,893,203	133,391	-	483,709	-	-	2,510,303	506,163