

Bahrain Flour Mills Company B.S.C.
CONDENSED INTERIM FINANCIAL
INFORMATION

30 September 2019

Commercial registration : 1170

Board of Directors : Mr. Abdullateef Al Aujan (*Chairman*)
Mr. Salah Mohamed Al Kulaib (*Vice chairman*)
Ms. Afnan Rashid Al Zayani
Mr. Abbas Abdul Mohsen Radhi
Mr. Adel Ahmed Abdulmalik
Mr. Marwan Khaled Tabbara
Dr. Marwa Khalid Al Sabbagh
Mr. Ayman A. Hameed Zainal

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Bankers : Ahli United Bank BSC
National Bank of Bahrain BSC
BBK BSC
Arab Bank
National Bank of Kuwait

Auditors : KPMG Fakhro

Shares registrar : Karvy Fintech (Bahrain) W.L.L.

CONDENSED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

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Independent auditors' report on review of condensed interim financial information

The Board of Directors
Bahrain Flour Mills Company B.S.C.
Manama
Kingdom of Bahrain

30 October 2019

Introduction

We have reviewed the accompanying 30 September 2019 condensed interim financial information of Bahrain Flour Mills Company B.S.C. (the "Company"), which comprises:

- the condensed statement of financial position as at 30 September 2019;
- the condensed statement of profit or loss and other comprehensive income for the nine-month and three-month periods ended 30 September 2019;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed statement of cash flows for the nine-month period ended 30 September 2019; and
- notes to the condensed interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 September 2019

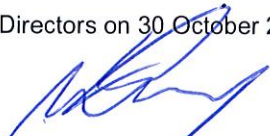
Bahraini dinars

	Note	30 September 2019 (reviewed)	31 December 2018 (audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		608,968	3,056,944
Receivables and other assets	7	8,624,317	3,086,701
Inventory		7,384,431	6,225,023
Total current assets		16,617,716	12,368,668
NON-CURRENT ASSETS			
Investment securities	8	9,755,683	8,544,687
Property, plant and equipment		3,616,208	3,765,114
Total non-current assets		13,371,891	12,309,801
TOTAL ASSETS		29,989,607	24,678,469
LIABILITIES			
CURRENT LIABILITIES			
Trade payables and other liabilities		3,643,741	634,867
Import finance loans		2,833,235	5,008,631
Bank overdraft		3,780,573	-
Total current liabilities		10,257,549	5,643,498
NON-CURRENT LIABILITIES			
Provision for employees' indemnities and other liabilities		62,074	49,172
Total non-current liabilities		62,074	49,172
TOTAL LIABILITIES		10,319,623	5,692,670
EQUITY			
Share capital		2,481,877	2,481,877
Share premium		1,350,000	1,350,000
Statutory reserve		1,241,625	1,241,625
Other reserves		3,463,628	3,463,628
Retained earnings		11,132,854	10,448,669
TOTAL EQUITY (page 4)		19,669,984	18,985,799
TOTAL LIABILITIES AND EQUITY		29,989,607	24,678,469

The condensed interim financial information was approved by the Board of Directors on 30 October 2019 and signed its behalf by:


Abdullateef Al Aujan
Chairman


Salah Mohamed Al Kulaib
Vice Chairman


Wayne Henry Craig
Chief Executive Officer

The accompanying notes 1 to 11 are an integral part of the condensed interim financial information.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the nine months ended 30 September 2019

Bahraini dinars

	Note	Nine months ended		Three months ended	
		30 September 2019 (reviewed)	30 September 2018 (reviewed)	30 September 2019 (reviewed)	30 September 2018 (reviewed)
Sales		5,249,150	5,326,523	1,701,216	1,626,315
Cost of sales		(12,008,819)	(10,928,327)	(3,874,283)	(3,554,823)
Gross loss before government subsidy		(6,759,669)	(5,601,804)	(2,173,067)	(1,928,508)
Government subsidy		8,062,935	6,934,795	2,599,112	2,380,018
Gross profit		1,303,266	1,332,991	426,045	451,510
Other operating expenses		(962,795)	(974,646)	(324,985)	(332,052)
Operating profit		340,471	358,345	101,060	119,458
Investment income / (loss)	8	1,210,996	1,031,477	(93,643)	35,672
Other income		68,580	104,618	24,312	29,546
Finance cost		(165,862)	(149,378)	(62,294)	(82,884)
Profit / (loss) for the period		1,454,185	1,345,062	(30,565)	101,792
Basic earnings per share (fils)	4	59	54	(1)	4


Abdullateef Al Aujan
Chairman


Salah Mohamed Al Kulaib
Vice Chairman


Wayne Henry Craig
Chief Executive Officer

The accompanying notes 1 to 11 are an integral part of the condensed interim financial information.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2019

Bahraini dinars

	Share capital	Share premium	Reserves		Retained earnings	Total
			Statutory reserve	Other reserves		
2019 (reviewed)						
At 1 January 2019	2,481,877	1,350,000	1,241,625	3,463,628	10,448,669	18,985,799
Profit and total comprehensive income for the period						
Dividends declared for 2018	-	-	-	-	1,454,185	1,454,185
Charity contributions approved for 2018	-	-	-	-	(750,000)	(750,000)
	-	-	-	-	(20,000)	(20,000)
At 30 September 2019	2,481,877	1,350,000	1,241,625	3,463,628	11,132,854	19,669,984

The accompanying notes 1 to 11 are an integral part of the condensed interim financial information.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2019 (continued)**

Bahraini dinars

	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
2018 (reviewed)							
At 31 December 2017 as previously reported	2,481,877	1,350,000	1,241,625	107,240	3,463,628	9,662,701	18,307,071
Impact of adopting IFRS 9 (note 4d)	-	-	(107,240)	(107,240)	-	107,240	-
Restated balance as at 1 January 2018	2,481,877	1,350,000	1,241,625	-	3,463,628	9,769,941	18,307,071
Profit and total comprehensive income for the period	-	-	-	-	-	1,345,062	1,345,062
Dividends declared for 2017	-	-	-	-	-	(496,511)	(496,511)
Charity contributions approved for 2017	-	-	-	-	-	(20,000)	(20,000)
At 30 September 2018	2,481,877	1,350,000	1,241,625	-	3,463,628	10,598,492	19,135,622

The accompanying notes 1 to 11 are an integral part of the condensed interim financial information.

CONDENSED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2019

Bahraini dinars

	Nine months ended 30 September 2019 (reviewed)	Nine months ended 30 September 2018 (reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	1,454,185	1,345,062
<i>Adjustments:</i>		
Depreciation/ amortisation	459,681	474,610
Net change in investments at fair value through profit or loss	(1,210,996)	(1,022,677)
Profit on sale of property, plant and equipment	-	(6,590)
Finance cost	165,862	149,378
<i>Change in working capital:</i>		
Inventory	(1,159,408)	(1,965,794)
Trade and other receivables	(5,537,616)	(36,107)
Trade payables and other liabilities	2,813,593	(13,762)
Provision for employees' indemnities and other liabilities	12,902	11,276
Net cash used in from operating activities	(3,001,797)	(1,064,604)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(129,672)	(139,717)
Purchase of investment securities at fair value through profit or loss	-	(1,000,000)
Proceed from sale of property, plant and equipment	6,259	6,726
Net cash used in investing activities	(123,413)	(1,132,991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Import finance loans availed	8,497,186	10,978,930
Repayment of import finance loans	(10,672,582)	(8,870,763)
Dividends paid	(762,081)	(476,940)
Finance interest paid	(165,862)	(149,378)
Bank overdraft	3,780,573	-
Net cash generated from financing activities	677,234	1,481,849
Net decrease in cash and cash equivalents during the period	(2,447,976)	(715,746)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,056,944	3,707,213
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	608,968	2,991,467
Comprising:		
Cash on hand	1,924	1,125
Bank balances	607,044	2,990,342
	608,968	2,991,467

The accompanying notes 1 to 11 are an integral part of the condensed interim financial information.

NOTES**to the 30 September 2019 condensed interim financial information**

Bahraini dinars

1 REPORTING ENTITY

Bahrain Flour Mills Company B.S.C. (the "Company") is a Bahraini public shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain under commercial registration number 1170 obtained on 16 July 1970 and listed in Bahrain Bourse. The Company was incorporated by an Amiri Charter dated 9 May 1970 and commenced commercial operations on 1 May 1972.

The principal activities of the Company are the production of flour and related products which are sold in the local market.

2 BASIS OF PREPARATION**(a) Statement of compliance**

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34 (IAS), Interim Financial Reporting, which permits the condensed interim financial information to be in summarised form. The condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2018.

The condensed interim financial information is reviewed, not audited. The comparatives for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2018 and the comparatives for the condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed interim financial information for the nine-month period ended 30 September 2018.

(b) Judgements and estimates

Preparing the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed interim financial information, significant judgments made by the management in applying the Company's accounting policies and key source of estimation of uncertainty were the same as those applied to the audited financial statements as at and for the year ended 31 December 2018, except for the changes arising on adoption of IFRS 16.

(c) Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2018, except for the changes arising on adoption of IFRS 16.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this condensed interim financial information are the same as those applied in the Company's audited financial statements as at and for the year ended 31 December 2018 except for changes arising from adoption of IFRS 16 as described below.

Adoption of IFRS 16

The Company adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

NOTES**to the 30 September 2019 condensed interim financial information**

Bahraini dinars

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of various types of contracts including warehouse, lands, and car leases etc. The nature of expenses related to those leases will now change because the Company will recognise an amortisation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

(ii) Leases in which the Company is a lessor

No significant impact is expected for leases in which the Company is a lessor.

(iii) Impact of adopting IFRS 16

On transition to IFRS 16, the Company recognised BD 210,959 of right-of-use assets in property, plant and equipment and BD 210,959 of lease liabilities in trade and other liabilities (current and non-current).

- 4 The earnings per share was calculated on the basis of net profit for the period of BD 1,454,185 (2018: BD 1,345,062) divided by the average weighted number of shares issued net of treasury shares for the period ended 30 September 2019 of 24,825,570 shares (2018: 24,825,570 shares). Diluted earnings per share have not been presented as the Company has no instruments convertible into ordinary shares that would dilute earnings per share.
- 5 Appropriations of profit, if any, will be made only at the year-end.
- 6 During the period, the Shareholders approved the following appropriations for 2018 in their Annual General Meeting held on 27 March 2019 which were effected during the period:

	2019	2018
Cash dividends of 30.210 fils per share (2018: 20 fils per share)	750,000	496,511
Charity contributions	20,000	20,000

The shareholders also approved directors' remunerations of BD 60,000 (2018: BD 60,000).

7 RECEIVABLES AND OTHER ASSETS

	30 September 2019	31 December 2018
Trade receivables	270,280	180,010
Subsidy receivables	8,062,935	2,722,276
Advances to suppliers	164,416	170,512
Others	126,686	13,903
	8,624,317	3,086,701

NOTES

to the 30 September 2019 condensed interim financial information

Bahraini dinars

8 INVESTMENT SECURITIES

	30 September 2019	31 December 2018
Managed funds at fair value through profit or loss	9,755,683	8,544,687
	9,755,683	8,544,687

Movement:

At beginning of the period	8,544,687	6,731,064
Additions	-	1,000,000
Change in fair value	1,210,996	813,623
At end of the period	9,755,683	8,544,687

9 RELATED PARTIES

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

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

a) Transactions and balances with related parties

		30 September 2019	31 December 2018
<i>i) Statement of financial position</i>	<i>Relationship</i>		
Import finance loans	Affiliate of parent	1,941,830	3,102,371
Accrued interest on import finance loans	Affiliate of parent	17,787	44,601
		1,959,617	3,146,972

		Nine months ended 30 September 2019	Nine months ended 30 September 2018
<i>ii) Statement of profit or loss</i>	<i>Relationship</i>		
Interests on import finance loans	Affiliate of parent	61,636	32,770
Other operating expenses	Affiliate of parent	4,952	5,166
		66,588	37,936

NOTES

to the 30 September 2019 condensed interim financial information

Bahraini dinars

9 RELATED PARTIES (continued)

b) Transactions with key management personnel

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

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Board of Directors' remunerations provided during the period	45,000	45,000
Other board of directors expenses	76,018	108,223
Salaries and other benefits	90,090	129,879
	211,108	283,102

10 SEGMENTAL INFORMATION

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment) or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segment. The Company's current activities are primarily the production of flour and related products which are sold in the local market. The revenue, expenses and results are reviewed only at a Company level and therefore no separate operating segment results and other disclosures are provided in these condensed interim financial information.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS**Fair value hierarchy**

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

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

- *Level 1* quoted prices (unadjusted) in active markets for identical assets and liabilities.
- *Level 2* inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3* inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

NOTES**to the 30 September 2019 condensed interim financial information**

Bahraini dinars

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**a) Financial instruments measured at fair value:**

The table below analyses financial instruments, measured at fair value as at the end of the period, by level in the fair value hierarchy into which the fair value measurement is categorised:

2019	Level 1	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:				
Managed funds	9,755,683	-	-	9,755,683
	9,755,683	-	-	9,755,683
2018	Level 1	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:				
Managed funds	8,753,741	-	-	8,753,741
	8,753,741	-	-	8,753,741

No transfers out of, or into, the level 3 measurement classification occurred during the periods ended 30 September 2019 or 30 September 2018.

b) Other financial assets and liabilities:

The carrying amount of the Company's other financial assets and liabilities approximate their fair values due to their short-term nature.

12 COMMITMENTS

During the period, the Company signed an agreement with a contractor to upgrade its plants. Total value of the agreement and estimated other related costs is BD 6.25 million.