

Bahrain Flour Mills Company B.S.C.

Financial statements

31 December 2019

Bahrain Flour Mills Company B.S.C.

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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Bahrain Flour Mills Company B.S.C.
General information

Commercial registration	1170 (Bahrain Joint Stock Company)
Board of directors	Mr. Abdullateef Al Aujan (<i>Chairman</i>) Mr. Salah Mohamed Al Kulaib (<i>Vice chairman</i>) 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
Audit committee	Mr. Abbas Abdul Mohsen Ahmed Radhi (<i>Chairman</i>) Ms. Afnan Rashid Al Zayani Mr. Adel Ahmed Abdulmalik Mr. Ayman A. Hameed Zainal
Corporate governance committee	Mr. Abbas Abdul Mohsen Ahmed Radhi (<i>Chairman</i>) Ms. Afnan Rashid Al Zayani Mr. Adel Ahmed Abdulmalik Mr. Ayman A. Hameed Zainal
Nomination and remuneration committee	Mr. Abdullateef Al Aujan (<i>Chairman</i>) Mr. Salah Mohamed Al Kulaib (<i>Vice chairman</i>) Mr. Abbas Abdul Mohsen Ahmed Radhi Dr. Marwa Khalid Al Sabbagh
Investment committee	Mr. Abdullateef Khalid Al Aujan (<i>Chairman</i>) Mr. Marwan Khaled Tabbara (<i>Vice chairman</i>) Dr. Marwa Khalid Al Sabbagh
Wheat purchasing committee	Mr. Abdullateef Khalid Al Aujan (<i>Chairman</i>) Mr. Marwan Khaled Tabbara Mr. Salah Mohamed Al Kulaib
Chief executive officer	Wayne Henry Craig
Office and plant	Building No. 1773, Road No. 4236, Block No. 342 P.O. Box 26787 Manama, Kingdom of Bahrain Telephone 17729984, Fax 17729312 E-Mail: info@bfm.bh
Bankers	BBK BSC Ahli United Bank BSC National Bank of Bahrain BSC Arab Bank NBK
Auditors	KPMG Fakhro
Shares registrar	Karvy Fintech (Bahrain) W.L.L.



Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Bahrain Flour Mills Company B.S.C Financials for the year ended December 31, 2019.

Company Performance

During the year 2019, Al Matahin Company continued its honorable career through which it maintained its leading position in Bahrain market and in marketing of all its products and achieved a net profit of BD 1,850,735 for this year. And the implementation of what was stated in the strategic plans of the company, which enabled us to play our national role to support food security in our beloved kingdom.

Dear Shareholders,

The Board of Directors confirms that it is always keen to develop and expand the company's activities through adherence to Corporate Governance standards, Internal Control systems and Quality, with applying Health and Safety systems, ensuring the company's position and commitment towards maintaining food security.

Thanks, and Appreciations

On behalf of the shareholders of Al-Matahin, the Board of Directors wishes to express its sincere gratitude and appreciation to His Majesty King Hamad bin Isa Al Khalifa, Kingdom of Bahrain King, His Royal Highness Prince Khalifa bin Salman Al Khalifa, Prime Minister and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister, and



there Excellencies the Ministers, Deputy Ministers, Directors and Heads of Departments in the Kingdom's departments and institutions for their good guidance and continuous support. Hemin and the company's executives for their continued support.

The Board of Directors would like to express their sincere thanks and appreciation to the company management and employees as they are very confident that the company's continued success will not be possible without the hard work and dedication of them during 2019. We are fortunate to have such a committed and distinguished team, and we are confident that this team will continue to achieve the best possible results in the future.

Abdullatif Khalid Al Aujan
Chairman
February, 2020



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CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Flour Mills Company B.S.C.
PO Box 26787
Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Bahrain Flour Mills Company B.S.C. (the "Company") which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness and accuracy of government subsidy

Refer to Note 13 to the financial statements.

Description	How the matter was addressed in our audit
The Company's products are subsidised by the government of the Kingdom of Bahrain. We focused on this matter because of significance of the subsidy amount representing 60% of total income from operations, and importance of the subsidy to the business of the Company.	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• testing the design and operating effectiveness of controls over the process of recognising and claiming government subsidy;• assessing whether claims made by the Company are in line with the memorandum of understanding agreed with Ministry of Industry, Commerce and Tourism;• agreeing the amount of subsidy received with the amount approved by Ministry of Industry, Commerce, and Tourism; and• assessing the adequacy of the Company's disclosures related to government subsidy by reference to relevant accounting standards.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Impairment of inventory

Refer to Note 5 to the financial statements.

Description	How the matter was addressed in our audit
<p>We focus on the this matter because:</p> <ul style="list-style-type: none">• the Company has significant inventory and spare parts representing 26% of the total assets.• the determination of the level of the impairment allowance involves judgement and estimation uncertainty.	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• testing the design and operating effectiveness of controls over the process of identification of slow moving items;• testing the ageing of spare parts inventory on a sample basis;• challenging the Company's assumptions in calculating the slow moving and obsolete inventories;• attending year-end inventory stock count to observe stock count procedures and test a sample of inventory items; and• assessing the adequacy of the Company's disclosures related to provision on inventory by reference to relevant accounting standards.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements for the year ended 31 December 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Report on other regulatory requirements

- 1) As required by the Commercial Companies Law, we report that:
 - a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
 - b) the financial information contained in the directors' report is consistent with the financial statements;
 - c) we are not aware of any violations during the year of the Commercial Companies Law, or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
 - d) satisfactory explanations and information have been provided to us by management in response to all our requests.

- 2) As required by the Ministry of Industry, Commerce, and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
 - a) a corporate governance officer; and
 - b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Jaafar Al Qubaiti.

KPMG Fakhro
Partner Registration No. 83
28 February 2020


Bahrain Flour Mills Company B.S.C.

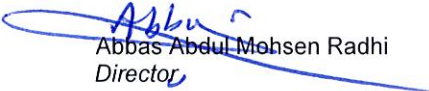
STATEMENT OF FINANCIAL POSITION
as at 31 December 2019


Bahraini Dinars

	Note	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents		2,036,677	3,056,944
Receivables and other assets	4	3,323,823	3,086,701
Inventory	5	6,673,259	6,225,023
Total current assets		12,033,759	12,368,668
Non-current assets			
Investment securities	6	10,079,952	8,544,687
Property, plant and equipment	7	3,873,578	3,765,114
Total non-current assets		13,953,530	12,309,801
Total assets		25,987,289	24,678,469
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables and other liabilities	8	3,453,295	634,867
Import finance loans	9	2,402,590	5,008,631
Total current liabilities		5,855,885	5,643,498
Non-current liabilities			
Provision for employees' indemnity	10	64,870	49,172
Total liabilities		5,920,755	5,692,670
Equity			
Share capital	11	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		11,529,404	10,448,669
Total equity (page 10-11)		20,066,534	18,985,799
Total equity and liabilities		25,987,289	24,678,469

The financial statements were approved by the Board of Directors on 28 February 2020 and signed on its behalf by:


Abdullatif Khalid Alujan
Chairman


Abbas Abdul Mohsen Radhi
Director


Wayne Henry Craig
Chief Executive Officer

The accompanying notes 1 to 22 are an integral part of these financial statements.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

Bahraini Dinars

	Note	2019	2018
Sales		7,075,011	7,097,842
Cost of sales	12	(16,039,046)	(15,105,638)
Gross loss before government subsidy		(8,964,035)	(8,007,796)
Government subsidy	13	10,605,978	9,558,368
Gross profit		1,641,943	1,550,572
Other operating expenses	14	(1,237,097)	(1,339,926)
Impairment provision on receivables	4	(94,475)	(372)
Operating profit		310,371	210,274
Finance cost		(77,998)	(3,453)
Investment income	15	1,535,265	841,100
Other income	16	83,097	147,318
Profit for the year		1,850,735	1,195,239
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,850,735	1,195,239
Basic and diluted earnings per share	17	75 fils	48 fils



Abdullatif Khalid Alujan
Chairman



Abbas Abdul Mohsen Radhi
Director



Wayne Henry Craig
Chief Executive Officer

The accompanying notes 1 to 22 are an integral part of these financial statements.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

Bahraini Dinars

2019	Share capital	Share premium	Reserves		Retained earnings	Total
			Statutory reserve	Other reserves		
At 1 January 2019	2,481,877	1,350,000	1,241,625	3,463,628	10,448,669	18,985,799
Total comprehensive income for the year	-	-	-	-	1,850,735	1,850,735
Dividends declared for 2018	-	-	-	-	(750,000)	(750,000)
Charity contributions approved for 2018	-	-	-	-	(20,000)	(20,000)
At 31 December 2019	2,481,877	1,350,000	1,241,625	3,463,628	11,529,404	20,066,534

The accompanying notes 1 to 22 are an integral part of these financial statements.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2019

Bahraini Dinars

2018	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
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	-	-	-	(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 year	-	-	-	-	-	1,195,239	1,195,239
Dividends declared for 2017	-	-	-	-	-	(496,511)	(496,511)
Charity contributions approved for 2017	-	-	-	-	-	(20,000)	(20,000)
At 31 December 2018	2,481,877	1,350,000	1,241,625	-	3,463,628	10,448,669	18,985,799

The accompanying notes 1 to 22 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

Bahraini Dinars

	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		1,850,735	1,195,239
<i>Adjustments for:</i>			
Depreciation / amortisation		638,073	636,759
Write-off of property, plant and equipment		-	7,815
Net change in investments at fair value through profit or loss	15	(1,535,265)	(813,623)
Profit on sale of property, plant and equipment		-	(6,590)
Finance cost		77,998	3,453
<i>Change in working capital:</i>			
Inventories		(448,236)	(1,659,737)
Trade and other receivables		(237,122)	(289,982)
Trade payables and other liabilities		2,640,895	(23,867)
Provision for employees' indemnities		15,698	5,929
Net cash generated from / (used in) operating activities		3,002,776	(944,604)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(540,956)	(198,750)
Purchase of investment securities at fair value through profit or loss		-	(1,000,000)
Proceed from sale of property, plant and equipment		-	6,887
Net cash used in investing activities		(540,956)	(1,191,863)
CASH FLOWS FROM FINANCING ACTIVITIES			
Import finance loans availed		11,358,960	14,081,301
Repayment of import finance loans		(13,965,001)	(12,111,292)
Dividends paid		(766,956)	(480,358)
Finance cost paid		(77,998)	(3,453)
Lease liability payment		(31,092)	-
Net cash (used in) / generated from financing activities		(3,482,087)	1,486,198
Net decrease in cash and cash equivalents during the year		(1,020,267)	(650,269)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,056,944	3,707,213
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		2,036,677	3,056,944
COMPRISING			
Cash on hand		729	2,417
Bank balances		2,035,948	3,054,527
		2,036,677	3,056,944

The accompanying notes 1 to 22 are an integral part of these financial statements.

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 financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Bahrain Commercial Companies Law 2001.

b) Basis of measurement

The financial statements have been drawn up from the accounting records of the Company under the historical cost convention, except for investment securities which are stated at fair value.

c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Classification of investments

Upon acquisition of an investment, management decides whether it should be classified as measured at amortised cost; at fair value through other comprehensive income; or at fair value through profit or loss (FVTPL). The classification of each investment reflects Company's business model in relation to each investment and is subject to different accounting treatments based on such classification.

(ii) Impairment of inventories

The Company reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have been impaired. The Company identifies the inventories, which have been impaired based on the age of the inventory and their estimate of the future demand for various items in the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience and prevalent market conditions.

(iii) Impairment of receivables

The Company establishes provision for impairment of accounts receivables based on 'expected credit loss' ("ECL") model. The Company uses a simplified approach as allowed by the standard to determine impairment of trade receivables.

(iv) Useful life and residual value of property, plant and equipment

The Company reviews the useful life and residual value of the property, plant and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Bahraini Dinars

2 BASIS OF PREPARATION (continued)**d) New standards, amendments and interpretations effective from 1 January 2019**

The following standards, amendments and interpretations, which became effective as of 1 January 2019, are relevant to the Company:

(i) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet 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 optional 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. The standard is effective for annual periods beginning on or after 1 January 2019.

As permitted by the transitional provisions of IFRS 16, the Company elected to use the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

The details of the changes in accounting policies and impact due to adoption of this standard has been disclosed in note 3 (a).

Impact on the financial statements is disclosed in note 3 (iii).

(ii) Other standards

The following amended standards are not expected to have a significant impact on the Company's financial statements:

- Long term interests in associates and joint venture (Amendments to IAS 28)
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards

e) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

The following standards are not expected to have a material impact on the Company's financial statements in the period of initial application.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set below. These accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except for changes arising from adoption of IFRS 16 as set below.

a) Changes in accounting policies

The Company has initially adopted IFRS 16 from 01 January 2019. The details of the changes in accounting policies are disclosed below:

(i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 3 (f).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, classification under IAS 17 was based on assessment of risk and rewards. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019 (see Note 3 (a) (III)). Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application; or
 - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- The Company applied this approach to all its leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Impact on financial statements

Impact on transition

On transition to IFRS 16, the Company recognised the right-of-use assets at an amount equal to the lease. The impact from the adoption of IFRS 16 as at 1 January 2019 is set out below:

	Property, plant and equipment	Trade payables and other liabilities
Closing balance under IAS 17 (31 December 2018)	3,765,114	634,867
<u>Impact on remeasurements:</u>		
Right of use assets	210,959	-
Lease liabilities	-	210,959
Opening balance under IFRS 16 on date of initial application of 1 January 2019	3,976,073	845,826

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its weighted-average incremental borrowing rate of 5.00% as at 1 January 2019.

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and represents amounts receivable for goods supplied or services performed. The Company recognises revenues when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Company; and when specific criteria has been met for each of the Company's activities, as described below:

- (i) Revenue from flour sales
Revenue is measured based on the consideration specified in a contract with customer. The Company recognises revenue when it transfers control over goods or services to the customer.
- (ii) Dividend income
Dividend income is recognized on the declaration date which is the date when the right to receive is established.
- (iii) Interest income
Interest income is recognised as it accrues, using the effective interest rate method.

c) Government subsidy

Government subsidy represents the amounts received from the Government of the Kingdom of Bahrain through Ministry of Finance and National Economy, to enable the Company to sell products at a controlled price as fixed by the Government. The subsidy is recorded on an accrual basis and is calculated as the difference between the actual cost of wheat used for local sales products plus an agreed rate per ton sold for all other related costs of flour sold locally, and the total local sales made during the year. This subsidy is recognised as income in the statement of profit or loss and other comprehensive income in the period in which the sales are made to customers.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**d) Inventories**

These are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The cost of the inventory is based on weighted average principle. Cost includes purchases price, freight, custom duty and direct labour charge and other incidental costs. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

e) Foreign currency**(i) Functional and presentation currency**

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

(ii) Transactions and balances

Monetary assets and liabilities are translated into Bahraini Dinars at exchange rates ruling at the reporting date. Transactions in foreign currencies during the year are converted at the rate ruling at that time. Foreign exchange gains and losses are recognized in the statement of profit or loss and other comprehensive income.

f) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be

readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

The Company presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment' and lease liabilities in 'trade payables and other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 01 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of specific assets or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

Payments for operating lease contracts are recorded as expenses in the statement of profit or loss and other comprehensive income according to the terms of these contracts.

g) Financial instruments

Financial assets and liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding investments in subsidiaries, equity accounted associated companies and joint ventures, employee benefit accruals, pre-payments and taxation payable.

(i) Initial recognition and measurement

The Company recognises financial assets and liabilities in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology.

Financial assets are classified into one of the following three categories:-

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income (FVTOCI);
- Financial assets at fair value through the profit or loss (FVTPL)

Financial liabilities are classified into one of the following two categories:-

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through the profit or loss (FVTPL)

Financial assets are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition of the financial asset except transaction costs on financial instruments measured at FVTPL are not included in the amount at which the instrument is initially measured; instead, they are immediately recognised in profit or loss. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of listed/ quoted financial assets and liabilities classified as FVTPL are recognised on the trade date, i.e. the date on which Company becomes party to the contractual provisions of the investments.

All regular way purchases and sales of other financial assets and liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty.

Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

(ii) Subsequent measurement

Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets are measured at amortised cost using the effective interest rate method if:-

- 1) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- 2) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

If the objective of the business model is to both hold to collect and sell debt instrument, it is classified at fair value through other comprehensive income.

If either of these two classification criteria is not met, the financial assets are classified and measured at fair value, either through the profit or loss (FVTPL) or through other comprehensive income (FVTOCI).

Additionally, even if a financial asset meets the amortised cost criteria, the entity may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Company can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:-

- i) it has been acquired principally for the purpose of selling in the near term;
- ii) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
- iii) it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

The irrevocable election is on an instrument-by-instrument basis. If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL and changes therein, including any interest or dividend income, are recognized in the profit or loss.

Financial liabilities at amortised cost

All financial liabilities, other than those classified and measured as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest rate method as described in note (ii) above.

Financial liabilities at fair value through the profit or loss

Financial liabilities not otherwise classified above are classified as financial liabilities at FVTPL. This classification includes derivatives that are liabilities measured at fair value.

(iii) Derecognition of financial assets and liabilities

Financial assets are derecognised and removed from the statement of financial position when the right to receive cash flows from the assets has expired; the Company has transferred its contractual right to receive the cash flows from the assets, and substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised and removed from the statement of financial position when the obligation is discharged, cancelled, or expires.

(iv) Fair value measurement

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

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. If the bid-ask spread for a specific asset or liability is wide, then the Company uses the price within the bid-ask spread that is most representative of fair value in the circumstances.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

h) Impairment of financial assets

The Company recognises loss allowance for ECL on financial assets measured at amortized cost. Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

i) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently carried at amortised cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**j) Property, plant and equipment**

Property, plant and equipment held for operational purposes are carried at cost less accumulated depreciation and any impairment losses. The cost of the property, plant and equipment includes the cost of bringing them to their present location and condition. Direct costs are capitalized until assets are ready for use. Capital work-in-progress comprises the cost of assets that are not yet ready for their intended use as at the reporting date. The cost of additions and major improvements are capitalised.

(i) Subsequent cost

The Company recognises in the carrying amount of an item of property, plant and equipment, and the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment as follows:

Building (on leased land)	20 years
Plant and machinery	10 years
Capital spares	10 years
Motor vehicles	4- 10 years
Furniture and office equipment	2-5 years
Right-of-use assets	Over the period of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. When an item under property, plant and equipment is sold or discarded, the respective cost and accumulated depreciation relating thereto are eliminated from the statement of financial position, the resulting gain or loss being recognized in statement of profit or loss and other comprehensive income.

k) Treasury shares

When share capital of the Company is repurchased, the amount of consideration paid is recognized as a change in equity. Repurchased shares classified as treasury shares are carried at cost and are presented as a deduction from equity.

l) Dividends

Dividends are recognised as a liability in the period in which they are declared.

m) Statutory reserve

In accordance with the Bahrain Commercial Companies Law 2001, 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital. This reserve is distributable only in accordance with the provisions of the law.

n) Employee benefits*(i) Bahraini employees*

Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this funded scheme, which is a defined contribution scheme under IAS 19, is recognised as an expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(ii) Expatriate employees**

Employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final salary. Provision for this, which is unfunded, and which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits has been made by calculating the notional liability had all employees left at the reporting date.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and deposits with original maturity of 90 days or less and are subject to insignificant risk of changes in their fair value.

p) Trade payables and other liabilities

Trade payables and other liabilities are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

q) Import finance loans

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

r) Board members' remuneration

Board members' remuneration is recognized in the statement of profit or loss and other comprehensive income on an accrual basis.

s) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

t) Impairment of non-financial assets:

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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4 RECEIVABLES AND OTHER ASSETS

	2019	2018
Trade receivables	190,389	180,382
Subsidy receivable	3,016,138	2,722,276
Advances to suppliers	159,178	170,512
Others	52,965	13,903
	3,418,670	3,087,073
Less: Provision for impairment	(94,847)	(372)
	3,323,823	3,086,701

The movements on provision for impairment is as follows:

	2019	2018
At 1 January	372	769
Charge for the year	94,475	372
Write-off during the year	-	(769)
	94,847	372

5 INVENTORY

	2019	2018
Wheat in silos	2,837,622	5,013,334
Wheat in transit	2,682,134	8,151
Finished goods	534,021	501,864
Packing materials	126,808	110,981
Spare parts and consumables	949,342	925,351
	7,129,927	6,559,681
Less: provision for obsolete and slow moving inventories	(456,668)	(334,658)
	6,673,259	6,225,023

The movement on provision for obsolete and slow moving inventories is as follows:

	2019	2018
At 1 January	334,658	292,154
Charges for the year	122,010	42,504
Released during the year	-	-
At 31 December	456,668	334,658

NOTES TO THE FINANCIAL STATEMENTS
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6 Investment securities

	2019	2018
Managed funds at fair value through profit or loss	10,079,952	8,544,687
	10,079,952	8,544,687

Movements:

At beginning of the year	8,544,687	6,731,064
Additions	-	1,000,000
Change in fair value	1,535,265	813,623
At 31 December	10,079,952	8,544,687

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, Machinery and capital spares	Motor vehicles	Furniture and office equipment	Capital Work-in- progress	Right-of- use assets	2019 Total	2018 Total
Cost								
At beginning of year	8,758,252	7,807,983	160,458	819,222	-	-	17,545,915	17,522,480
Additions	20,233	98,825	-	8,570	413,328	210,959	751,915	198,750
Spare parts usage	-	(10,324)	-	-	-	-	(10,324)	(167,500)
Write-off	-	-	-	-	-	-	-	(7,815)
At 31 December	8,778,485	7,896,484	160,458	827,792	413,328	210,959	18,287,506	17,545,915
Depreciation								
At beginning of year	6,240,315	6,702,411	106,209	731,866	-	-	13,780,801	13,311,542
Charge for the year:								
- Cost of sales	236,751	277,492	8,444	21,508	-	29,255	573,450	596,692
- Others	8,834	2,823	3,627	23,911	-	25,428	64,623	40,067
Spare parts usage	-	(4,946)	-	-	-	-	(4,946)	(167,500)
At 31 December	6,485,900	6,977,780	118,280	777,285	-	54,683	14,413,928	13,780,801
Net carrying value at 31 December 2019	2,292,585	918,704	42,178	50,507	413,328	156,276	3,873,578	3,765,114
At 31 December 2018	2,517,937	1,105,572	54,249	87,356	-	3,765,114		

The land at Mina Salman on which the mill was built is leased by the Company from the Government of Kingdom of Bahrain.

NOTES TO THE FINANCIAL STATEMENTS
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8 TRADE PAYABLES AND OTHER LIABILITIES

	2019	2018
Trade payables	2,717,341	70,413
Dividends payable	252,201	269,157
Accrued expenses and other payables	274,957	290,731
Lease liability	188,463	-
VAT payable	18,283	-
Advance from customers	2,050	4,566
	3,453,295	634,867

9 IMPORT FINANCE LOANS

Import finance loans are used to import wheat, unsecured and generally repayable within 90 to 180 days.
 Movement during the year as follows:

	2019	2018
At 1 January	5,008,631	3,038,622
Loans availed during the year	11,358,960	14,081,301
Loans repaid during the year	(13,965,001)	(12,111,292)
At 31 December	2,402,590	5,008,631

10 PROVISION FOR EMPLOYEES' LEAVING INDEMNITY

The Company's contributions in respect of non-Bahraini employee as per Bahrain Labor Law for 2019 amounted to BD 64,870 (2018: BD 49,172).

The movement in the provision for employees' leaving indemnity was as follows:

	2019	2018
Provision at beginning of the year	49,172	43,243
Charge during the year	16,685	14,011
Paid during the year	(987)	(8,082)
At 31 December	64,870	49,172

11 SHARE CAPITAL

Authorised: 100 million shares

Issued and fully paid: 24,832,500 shares of 100 fils each
 6,930 treasury shares (2018: 6,930 shares)

	2019	2018
Issued and fully paid	2,483,250	2,483,250
Treasury shares	(1,373)	(1,373)
Net shares in public issue	2,481,877	2,481,877

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11 *SHARE CAPITAL (continued)***Performance per share**

	2019	2018
Earnings per 100 fils share	75 fils	48 fils
Net asset value per 100 fils share	811 fils	765 fils
Stock Exchange price per 100 fils share at 31 December	320 fils	350 fils
Stock Exchange price to earnings ratio	4:1	7:1
Total market capitalisation at 31 December (BD)	7,946,400	8,691,375

Additional information on shareholding pattern

- (i) Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest on 5% or more of outstanding shares as at 31 December 2019:

	Nationality	No. of shares	% holding
Bahrain Mumtalakat Holding Company B.S.C. (c)	Bahraini	16,322,806	65.73
Kuwait Flour Mills and Bakeries Company K.S.C.	Kuwaiti	1,848,000	7.45
Abdulhameed Zainal Mohammed	Bahraini	1,527,776	6.15

- (ii) The Company has only one class of equity shares and the holders of these shares have equal voting rights.

- (iii) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*

	Number of Shares	Number of shareholders	% of total outstanding shares
Less than 1%	5,001,930	1,699	20.14%
1% up to less than 5%	247,488	1	1.00%
5% up to less than 10%	3,375,776	2	13.59%
10% up to less than 20%	-	-	-
20% up to less than 50%	-	-	-
50% and above	16,207,306	1	65.27%
	24,832,500	1,703	100%

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

12 COST OF SALES

	2019	2018
Raw materials	13,860,537	12,844,101
Staff cost	731,094	777,450
Depreciation (note 7)	573,450	596,692
Packing materials	245,474	218,520
Maintenance, repairs and utilities	331,384	331,946
Others	297,107	336,929
	16,039,046	15,105,638

13 GOVERNMENT SUBSIDY

Government subsidy is calculated as the difference between the actual cost of wheat purchased and used for local sales products plus BD 31 per ton (2018: BD 31 per ton) sold for all other related costs of flour sold locally, and the total local sales made during the year. The following table shows the details of Government subsidy:

	2019	2018
Actual cost of wheat purchased and used	13,751,282	12,807,667
Plus: BD 31 per ton of wheat products sold locally	3,826,100	3,894,034
	17,577,382	16,701,701
Less: Gross sales subject to subsidy	(6,971,404)	(7,143,333)
	10,605,978	9,558,368

Quantity sold during the year was 124,325 tons (2018: 125,614 tons)

14 OTHER OPERATING EXPENSES

	2019	2018
Staff cost	657,987	761,955
General and administrative expenses	204,241	293,258
Depreciation (note 7)	64,623	40,067
Board of directors remunerations	60,000	60,000
Professional fees	116,514	51,231
Other	133,732	133,415
	1,237,097	1,339,926

15 INVESTMENT INCOME

	2019	2018
Dividends income	-	27,477
Net change in fair value of investment securities	1,535,265	813,623
	1,535,265	841,100

16 OTHER INCOME

	2019	2018
Delivery income	11,731	9,172
Income from shipments claims	34,449	30,829
Service income	-	19,664
Bank interest	13,994	54,552
Others	22,923	33,101
	83,097	147,318

17 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of equity shares outstanding during the year ended 31 December 2019 as follows:

	2019	2018
Profit for the year	1,850,735	1,195,239
Weighted average number of equity shares in issue	24,832,500	24,832,500
Basic and diluted earnings per share	75 fils	48 fils

Diluted earnings per share is the same as basic earnings per share as the Company has no instruments convertible into ordinary shares that would dilute earnings per share.

18 SEGMENTAL ANALYSIS

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 related disclosures are provided in these financial statements.

19 RELATED PARTY TRANSACTIONS

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 key management personnel of the Company.

a) Transactions and balances with related parties

		2019	2018
<i>i) Statement of financial position</i>			
Import finance loans	Affiliate of parent	488,203	3,102,371
Accrued interest on import finance loans	Affiliate of parent	1,873	44,601
		490,076	3,146,972

		2019	2018
<i>ii) Statement of profit or loss and other comprehensive income</i>			
Interest on import finance loans	Affiliate of parent	37,359	34,467
Other operating expenses	Affiliate of parent	6,248	6,832
		43,607	41,299

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19 RELATED PARTY TRANSACTIONS (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:

	2019	2018
Board of Directors' remunerations	60,000	60,000
Directors' setting fees	83,050	122,000
Other board of directors' expenses	16,612	20,231
Salaries and other benefits	130,599	196,590
Total compensation	290,261	398,821

20 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and bank balances, receivables and investment securities

Financial liabilities of the Company include payables and import finance loans.

a) Risk management:

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Day to day monitoring of the Company's activities and risks is performed by the Board Committees and the Chief Executive Officer.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to limit its credit risk with respect to customers by means of the following policies:

- Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures laid down by the Company.
- Credit review procedures are designed to identify at an early stage exposure, which require more detailed monitoring and review.
- Cash is placed with banks with good credit ratings.

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20 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

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

	2019	2018
Bank balances	2,035,948	3,054,527
Receivable and other assets	3,111,680	2,908,852
	5,147,628	5,963,379

The maximum exposure to credit risk from receivables at the reporting date by segment was:

	2019	2018
Government	2,921,663	2,722,124
Non-government	190,017	186,728
	3,111,680	2,908,852

The Company does not hold any collateral against the above receivables.

The ageing of receivables at the reporting date was:

	2019		2018	
	Gross	Impairment	Gross	Impairment
<i>Neither past due nor impaired</i>	1,025,242	-	1,086,223	-
<i>Past due not impaired:</i>				
Past due 1-30 days	828,436	-	860,805	-
Past due 31-90 days	881,594	-	866,457	-
Past due 91-120 days	92,400	-	4,813	-
Over 120 days	-	-	90,554	-
<i>Past due and impaired:</i>				
Over 120 days	378,855	94,847	372	372
	3,206,527	94,847	2,909,224	372

Liquidity risk, also referred to as funding risk, is the risk the Company will encounter difficulty in raising funds to meet obligations associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a daily basis and the management ensures that sufficient funds are available to meet any future commitments. In the normal course of business, the Company does not resort to borrowings but has the ability to raise funds from banks at short notice.

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20 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

The following are the contractual maturities of financial liabilities:

	Carrying value	0 up to 3 months	3 up to 6 months	6 months up to 1 year	1 up to 5 years	over 5 years
2019						
Trade payables and other liabilities	3,012,631	3,012,631	-	-	-	-
Import finance loans	2,402,590	1,925,628	476,962	-	-	-
Dividend payable	252,201	252,201	-	-	-	-
	5,667,422	5,190,460	476,962	-	-	-

	Carrying value	0 up to 3 months	3 up to 6 months	6 months up to 1 year	1 up to 5 years	over 5 years
2018						
Trade payables and other liabilities	365,710	365,710	-	-	-	-
Import finance loans	5,008,631	3,457,445	1,551,186	-	-	-
Dividend payable	269,157	269,157	-	-	-	-
	5,643,498	4,092,312	1,551,186	-	-	-

Market risk is the risk that that changes in market prices will affect the Company's income or the value of its financial instruments; whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all investments traded in the market.

The Company is exposed to market risk with respect to its investments.

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

b) Classification and fair values of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown at the reporting date, are as follows:

	FVTPL	Amortised cost	Total carrying amount
2019			
Cash and cash balances	-	2,036,677	2,036,677
Receivable and other assets	-	3,154,227	3,154,227
Investment securities	10,079,952	-	10,079,952
	10,079,952	5,190,904	15,270,856
Trade payables and other liabilities	-	3,201,094	3,201,094
Import finance loans	-	2,402,590	2,402,590
Dividends payable	-	252,201	252,201
	-	5,855,885	5,855,885

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20 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

2018	FVTPL	Amortised cost	Total carrying amount
Cash and bank balances	-	3,056,944	3,056,944
Receivable and other assets	-	2,908,852	2,908,852
Investment securities	8,544,687	-	8,544,687
	8,544,687	5,965,796	14,510,483
Trade payables and other liabilities	-	365,710	365,710
Import finance loans	-	5,008,631	5,008,631
Dividends payable	-	269,157	269,157
	-	5,643,498	5,643,498

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 value 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.

2019

Investment securities at fair value through profit or loss:

Managed funds

	Level 1	Level 2	Level 3	Total
Managed funds	10,079,952	-	-	10,079,952
	10,079,952	-	-	10,079,952

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20 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

2018	Level 1	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:				
Managed funds	8,544,687	-	-	8,544,687
	8,544,687	-	-	8,544,687

There were no transfers between the levels during the year. The Company has not disclosed the fair value for other financial instruments because their carrying amounts are a reasonable approximation of fair values.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as total shareholders' equity and the level of dividends to shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

21 PROPOSED APPROPRIATIONS AND DIVIDENDS

The Board of Directors have proposed the following appropriations for the year which will be submitted for formal approval at the annual general meeting:

	2019	2018
Cash dividends	248,256	750,000
Charity contribution	20,000	20,000
Transfer to retained earnings	1,582,479	425,239

2018 appropriations are as per approval of the AGM on 27 March 2019.

22 COMPARATIVES

Certain prior year amounts have been regrouped to conform to the presentation in the current year. Such regroupings did not affect previously reported profit and total comprehensive income for the year or total equity.