

Bahrain Flour Mills Company B.S.C.

CONDENSED INTERIM FINANCIAL INFORMATION

30 September 2016

Commercial registration : 1170

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

Chief Executive Officer : Mohammed Abdulwahab Nass

Offices : Building 1773, Road 4236, Block 342 PO Box 26787
Mina Salman, Manama – Kingdom of Bahrain
Telephone 17729984, Fax 17729 312
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Bankers : Ahli United Bank BSC
National Bank of Bahrain BSC
BBK BSC

Auditors : KPMG Fakhro

Shares registrar : Karvy Computershare W.L.L.

CONDENSED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2016

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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

2 November 2016

Introduction

We have reviewed the accompanying 30 September 2016 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 2016;
- the condensed statement of profit or loss for the three-month and nine-month periods ended 30 September 2016;
- the condensed statement of comprehensive income for the three-month and nine-month periods ended 30 September 2016;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2016;
- the condensed statement of cash flows for the nine-month period ended 30 September 2016; 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 2016 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 2016

Bahraini dinars

	30 September 2016 (reviewed)	31 December 2015 (audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,602,771	1,993,160
Trade and other receivables	2,386,057	3,274,983
Inventory	6,217,415	6,816,887
Total current assets	12,206,243	12,085,030
NON-CURRENT ASSETS		
Available-for-sale investments	6,239,066	6,654,488
Property, plant and equipment	4,821,003	5,281,163
Total non-current assets	11,060,069	11,935,651
TOTAL ASSETS	23,266,312	24,020,681
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	584,480	2,930,758
Import finance loans	4,567,969	2,482,718
Total current liabilities	5,152,449	5,413,476
NON-CURRENT LIABILITIES		
Employees' terminal benefits	50,519	83,749
TOTAL LIABILITIES	5,202,968	5,497,225
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
Investments fair value reserve	4,716,479	5,097,443
Other reserves	3,463,628	3,463,628
Retained earnings	4,809,735	4,888,883
TOTAL EQUITY (page 5)	18,063,344	18,523,456
TOTAL EQUITY AND LIABILITIES	23,266,312	24,020,681

Abdullateef Al Aujan
Chairman

Salah Mohamed Al Kulaib
Vice Chairman

Mohammed Abdulwahab Nass
Chief Executive Officer

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 11 on 2 November 2016.

CONDENSED STATEMENT OF PROFIT OR LOSS
for the nine months ended 30 September 2016

Bahraini dinars

	Nine months ended		Three months ended	
	30 September 2016 (reviewed)	30 September 2015 (reviewed)	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Sales	4,794,400	4,429,172	1,488,431	1,276,948
Cost of sales	(9,866,870)	(11,440,794)	(3,075,636)	(3,404,654)
Gross loss before government subsidy	(5,072,470)	(7,011,622)	(1,587,205)	(2,127,706)
Government subsidy	6,103,800	7,795,370	1,881,650	2,301,128
Gross profit	1,031,330	783,748	294,445	173,422
Other operating expenses	(984,294)	(860,248)	(315,080)	(243,608)
Operating profit / (loss)	47,036	(76,500)	(20,635)	(70,186)
Investment income	389,620	372,997	97,610	85,680
Impairment of available-for-sale investments	(34,459)	-	-	-
Other income	35,166	79,794	7,797	25,486
Profit for the period	437,363	376,291	84,772	40,980

Basic earnings per share (fils), note 8

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15

3

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Abdullateef Al Aujan
Chairman

Salah Mohamed Al Kulaib
Vice Chairman

Mohammed Abdulwahab Nass
Chief Executive Officer

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended 30 September 2016

Bahraini dinars

	Nine months ended		Three months ended	
	30 September 2016 (reviewed)	30 September 2015 (reviewed)	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Profit for the period	437,363	376,291	84,772	40,980
Other comprehensive income: Items that are or may be reclassified to profit or loss:				
Change in fair value of available-for-sale investments	(380,964)	(225,125)	(280,516)	(526,384)
Transferred to profit or loss on sale of available-for-sale investments	-	(26,903)	-	-
Total other comprehensive income for the period	(380,964)	(252,028)	(280,516)	(526,384)
Total comprehensive income for the period	56,399	124,263	(195,744)	(485,404)

The condensed interim financial information consists of pages 2 to 11.

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September 2016

Bahraini

dinars

	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
2016 (reviewed)							
At 1 January 2016	2,481,877	1,350,000	1,241,625	5,097,443	3,463,628	4,888,883	18,523,456
Comprehensive income:							
Profit for the period	-	-	-	-	-	437,363	437,363
Other comprehensive income:							
Items that are or may be reclassified to profit or loss:							
Change in fair value of available-for-sale investments	-	-	-	(380,964)	-	-	(380,964)
Total other comprehensive income for the period	-	-	-	(380,964)	-	-	(380,964)
Total comprehensive income for the period	-	-	-	(380,964)	-	437,363	56,399
Dividend declared for 2015	-	-	-	-	-	(496,511)	(496,511)
Charity contributions for 2015	-	-	-	-	-	(20,000)	(20,000)
At 30 September 2016	2,481,877	1,350,000	1,241,625	4,716,479	3,463,628	4,809,735	18,063,344

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2016

Bahraini dinars

	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
2015 (reviewed)							
At 1 January 2015	2,481,877	1,350,000	1,241,625	5,410,595	3,463,628	4,801,849	18,749,574
Comprehensive income:							
Profit for the period	-	-	-	-	-	376,291	376,291
Other comprehensive income:							
Items that are or may be reclassified to profit or loss:							
Change in fair value of available-for-sale investments	-	-	-	(225,125)	-	-	(225,125)
Transferred to profit or loss on sale of available-for-sale investments	-	-	-	(26,903)	-	-	(26,903)
Total other comprehensive income for the period	-	-	-	(252,028)	-	-	(252,028)
Total comprehensive income for the period	-	-	-	(252,028)	-	376,291	124,263
Dividend declared for 2014	-	-	-	-	-	(496,650)	(496,650)
Charity contributions for 2014	-	-	-	-	-	(20,000)	(20,000)
At 30 September 2015	2,481,877	1,350,000	1,241,625	5,158,567	3,463,628	4,661,490	18,357,187

The condensed interim financial information consists of pages 2 to 11.

CONDENSED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2016

Bahraini dinars

	Nine months ended 30 September 2016 (reviewed)	Nine months ended 30 September 2015 (reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	437,363	376,291
<i>Adjustments:</i>		
Depreciation	524,178	519,680
Impairment of available-for-sale investments	34,459	-
Profit on sale of available-for-sale investments	-	(5,239)
(Loss)/ profit on sale of property, plant and equipment	1,484	(1,994)
<i>Change in working capital:</i>		
Inventory	599,472	925,832
Trade and other receivables	888,926	1,364,286
Trade and other payables	(2,421,008)	(2,330,707)
Employees' terminal benefits	(33,230)	6,726
Net cash generated from operating activities	31,644	854,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(69,304)	(49,763)
Proceeds from sale of available-for-sale investments	-	85,818
Proceeds from sale of property, plant and equipment	3,800	7,000
Net cash (used in) / generated from investing activities	(65,504)	43,055
CASH FLOWS FROM FINANCING ACTIVITIES		
Import finance loans availed	9,776,585	10,689,116
Repayment of import finance loans	(7,691,333)	(10,656,201)
Dividends paid	(441,781)	(500,446)
Net cash generated from / (used in) financing activities	1,643,471	(467,531)
Net increase in cash and cash equivalents during the period	1,609,611	430,399
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,993,160	2,678,004
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3,602,771	3,108,403
Comprising:		
Cash on hand	1,229	2,303
Bank balances	3,601,542	3,106,100
	3,602,771	3,108,403

The condensed interim financial information consists of pages 2 to 11.

NOTES**to the 30 September 2016 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 and Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 1170 obtained on 16 July 1970. The Company was incorporated by an Amiri Charter dated 9 May 1970 for a period of 50 years 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

These condensed interim financial information have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2015. They do not include all of the information required for a complete set of IFRS financial statements. 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 financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the latest audited financial statements of the Company for the year ended 31 December 2015, except for the changes arising from adoption of relevant IFRS, amendments and interpretation issued by IASB that are effective for annual reporting periods beginning 1 January 2016. The adoption of these standards did not have a significant impact on the condensed interim financial information.

- 4 The condensed interim financial information is reviewed, not audited. The corresponding figures for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2015. The corresponding figures for the condensed statements of profit or loss, statement of comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed interim financial information for the nine months ended 30 September 2015.

5 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2015.

6 SEASONALITY OF OPERATIONS

Due to the nature of Company's operations, the interim financial results may not represent a proportionate share of the annual results. Investment income includes BD 389,620 (2015: BD 367,760) which arises during the period.

7 JUDGEMENTS AND ESTIMATES

In preparing these condensed interim financial information, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended 31 December 2015.

NOTES**to the 30 September 2016 condensed interim financial information**

Bahraini dinars

- 8 The earnings per share was calculated on the basis of net profit for the period of BD 437,363 (2015: BD 376,291) divided by the average weighted number of shares issued net of treasury shares for the period ended 30 September 2016 of 24,825,570 shares (2015: 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.
- 9 The appropriations of profit will be made only at the year-end.
- 10 During the period, the Shareholders approved the following appropriations for 2015 in their Annual General Meeting held on 22 March 2016:

	2016	2015
Cash dividends of 20 fils per share (2015: 20 fils per share)	496,511	496,650
Charity contribution	20,000	20,000

The general assembly also approved directors' remuneration of BD 16,000 (2015: BD 54,442).

11 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 and from related parties

	30 September 2016	31 December 2015
Statement of financial position		
Import finance loans	391,512	-
Accrued interest on import finance loans	1,398	-
	392,910	-
Statement of profit or loss		
Sales	10,000	-
Interests on import finance loans	18,787	14,268
Other operating expenses	6,502	7,273
	35,289	21,541

NOTES**to the 30 September 2016 condensed interim financial information**

Bahraini dinars

11 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 2016	Nine months ended 30 September 2015
Board remunerations	-	26,000
Other board of directors expenses	47,525	29,525
Salaries and other benefits	179,486	144,017
	227,011	199,542

12 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.

13 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.

Fair value hierarchy

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.

NOTES**to the 30 September 2016 condensed interim financial information**

Bahraini dinars

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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 categorized:

2016

	Level 1	Level 2	Level 3	Total
Available-for-sale investments:				
Quoted equity securities	5,802,082	-	-	5,802,082
Managed funds	-	396,443	-	396,443
	5,802,082	396,443	-	6,198,525

2015

	Level 1	Level 2	Level 3	Total
Available-for-sale investments:				
Quoted equity securities	6,162,317	-	-	6,162,317
Managed funds	-	417,171	-	417,171
	6,162,317	417,171	-	6,579,488

No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30 September 2016.

b) Other financial assets and liabilities:

Except for AFS investments with carrying value of BD 40,541 (2015: BD 75,000) which are carried at cost less impairment due to the absence of a reliable increase of fair value, the carrying amount of the Company's other financial assets and liabilities approximate their fair values due to their short term nature.

14 COMPARATIVES

The comparative figures have been regrouped, where necessary, in order to conform to the current period's presentation. Such regrouping did not affect the previously reported profit and comprehensive income for the period or total equity.