

Bahrain Flour Mills Company B.S.C.

CONDENSED INTERIM FINANCIAL INFORMATION

31 March 2018

Commercial registration : 1170

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

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

Auditors : KPMG Fakhro

Shares registrar : Karvy Computershare W.L.L.

CONDENSED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2018

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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

13 May 2018

Introduction

We have reviewed the accompanying 31 March 2018 condensed interim financial information of Bahrain Flour Mills Company B.S.C. (the "Company"), which comprises:

- the condensed statement of financial position as at 31 March 2018;
- the condensed statement of profit or loss for the three-month period ended 31 March 2018;
- the condensed statement of comprehensive income for the three-month period ended 31 March 2018;
- the condensed statement of changes in equity for the three-month period ended 31 March 2018;
- the condensed statement of cash flows for the three-month period ended 31 March 2018; 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 31 March 2018 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

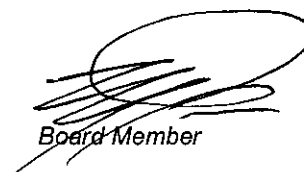
CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

Bahraini dinars

	Note	31 March 2018 (reviewed)	31 December 2017 (audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,893,415	3,707,213
Trade and other receivables		3,062,285	2,796,719
Inventory		6,926,360	4,565,286
Total current assets		13,882,060	11,069,218
NON-CURRENT ASSETS			
Investment securities	8	7,344,239	6,731,064
Property, plant and equipment		4,089,171	4,210,938
Total non-current assets		11,433,410	10,942,002
TOTAL ASSETS		25,315,470	22,011,220
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		3,954,497	622,284
Import finance loans		2,710,800	3,038,622
Total current liabilities		6,665,297	3,660,906
NON-CURRENT LIABILITIES			
Provision for employees' indemnities		45,767	43,243
TOTAL LIABILITIES		6,711,064	3,704,149
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		-	107,240
Other reserves		3,463,628	3,463,628
Retained earnings		10,067,276	9,662,701
TOTAL EQUITY (page 5)		18,604,406	18,307,071
TOTAL EQUITY AND LIABILITIES		25,315,470	22,011,220



Chairman



Board Member

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 13 on 13 May 2018.

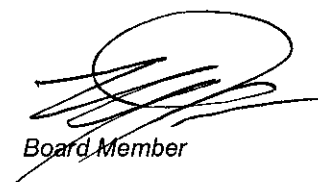
CONDENSED STATEMENT OF PROFIT OR LOSS
for the three months ended 31 March 2018

Bahraini dinars

	Note	Three months ended 31 March 2018 (reviewed)	Three months ended 31 March 2017 (reviewed)
Sales		1,907,381	1,805,736
Cost of sales		(3,768,350)	(3,282,510)
Gross loss before government subsidy		(1,860,969)	(1,476,774)
Government subsidy		2,337,643	1,924,510
Gross profit		476,674	447,736
Other operating expenses		(329,141)	(313,768)
Operating profit		147,533	133,968
Investment income	9	613,175	1,740,621
Other income		53,138	88,037
Profit for the period		813,846	1,962,626
Basic earnings per share (fils)	5	33	79



Chairman



Board Member

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 13 on 13 May 2018.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the three months ended 31 March 2018

Bahraini dinars

	Three months ended 31 March 2018 (Reviewed)	Three months ended 31 March 2017 (Reviewed)
Profit for the period	813,846	1,962,626
Other comprehensive income:		
Items that are or may be reclassified to profit or loss:		
Change in fair value of available-for- sale investments	-	(101,847)
Transferred to profit or loss on sale of available-for-sale investments	-	(1,618,320)
Total other comprehensive income for the period	-	(1,720,167)
Total comprehensive income for the period	813,846	242,459

The condensed interim financial information consists of pages 2 to 13.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2018

Bahraini dinars

	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
2018 (reviewed)							
Balance at 31 December 2017	2,481,877	1,350,000	1,241,625	107,240	3,463,628	9,662,701	18,307,071
Impact of adopting IFRS 9 (note 4d)	-	-	-	(107,240)	-	107,240	-
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
Comprehensive income for the period:							
Profit for the period	-	-	-	-	-	813,846	813,846
Total other comprehensive income for the period	-	-	-	-	-	813,846	813,846
Total comprehensive income for the period	-	-	-	-	-	813,846	813,846
Dividends declared for 2017	-	-	-	-	-	(496,511)	(496,511)
Charity contributions approved for 2017	-	-	-	-	-	(20,000)	(20,000)
At 31 March 2018	2,481,877	1,350,000	1,241,625	-	3,463,628	10,067,276	18,604,406

The condensed interim financial information consists of pages 2 to 13.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2018

Bahraini dinars

	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
2017 (reviewed)							
At 1 January 2017	2,481,877	1,350,000	1,241,625	4,779,085	3,463,628	5,175,439	18,491,654
Comprehensive income:							
Profit for the period	-	-	-	-	-	1,962,626	1,962,626
Other comprehensive income:							
Items that are or may be reclassified to profit or loss:							
Change in fair value of available-for-sale investments	-	-	-	(101,847)	-	-	(101,847)
Transferred to profit or loss on sale of available-for-sale investments	-	-	-	(1,618,320)	-	-	(1,618,320)
Total other comprehensive income for the period	-	-	-	(1,720,167)	-	-	(1,720,167)
Total comprehensive income for the period	-	-	-	(1,720,167)	-	1,962,626	242,459
Dividends declared for 2016	-	-	-	-	-	(496,511)	(496,511)
Charity contributions approved for 2016	-	-	-	-	-	(20,000)	(20,000)
At 31 March 2017	2,481,877	1,350,000	1,241,625	3,058,918	3,463,628	6,621,554	18,217,602

The condensed interim financial information consists of pages 2 to 13.

CONDENSED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2018

Bahraini dinars

	Three months ended 31 March 2018 (reviewed)	Three months ended 31 March 2017 (reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	813,846	1,962,626
<i>Adjustments:</i>		
Depreciation	153,737	162,471
Net change in investments at fair value	(613,175)	-
Profit on sale of available-for-sale investments	-	(1,618,320)
Profit on sale of property, plant and equipment	(6,552)	(800)
<i>Change in working capital:</i>		
Inventory	(2,361,074)	232,766
Trade and other receivables	(265,566)	809,793
Trade and other payables	2,818,879	423,260
Employees' terminal benefits	2,524	1,644
Net cash generated from operating activities	542,619	1,973,440
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32,158)	(54,607)
Proceed from sale of available-for-sale investments	-	2,048,418
Proceed from sale of property, plant and equipment	6,760	1,645
Net cash (used in) / generated from investing activities	(25,398)	1,995,456
CASH FLOWS FROM FINANCING ACTIVITIES		
Import finance loans availed	2,674,135	1,902,079
Repayment of import finance loans	(3,001,957)	(2,313,339)
Dividends paid	(3,197)	(2,349)
Net cash used in financing activities	(331,019)	(413,609)
Net increase in cash and cash equivalents during the period	186,202	3,555,287
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,707,213	3,774,009
CASH AND CASH EQUIVALENTS AT 31 March	3,893,415	7,329,296
Comprising:		
Cash on hand	533	72
Bank balances	3,892,882	7,329,224
	3,893,415	7,329,296

The condensed interim financial information consists of pages 2 to 13.

NOTES

to the 31 March 2018 condensed interim financial information

Bahraini dinars

1 REPORTING ENTITY

Bahrain Flour Mills Company B.S.C. ("the Company") is a Bahraini public shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain 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**(a) Statement of compliance**

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34 (IAS), Interim Financial Reporting, which permits the condensed interim financial information to be in summarised form. The condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2017, except for the effects of adoption of IFRS 9 and IFRS 15 as described in Note 4 to this condensed interim financial information. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2017,

This is the first set of the Company's financial statements where the IFRS 9 and IFRS 15 have been applied. Changes to significant accounting policies are described in note 4.

The condensed interim financial information is reviewed, not audited. The comparatives for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2017 and the comparatives for the condensed statement of profit or loss, comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed interim financial information for the three-month period ended 31 March 2017.

(b) Judgements and estimates

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

In preparing the condensed interim financial information, significant judgments made by the management in applying the Company's accounting policies and key source of estimation of uncertainty were the same as those applied to the audited financial statements as at and for the year ended 31 December 2017, except for the changes arising on adoption of IFRS 9 and IFRS 15.

(c) Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2017, except for the changes arising on adoption of IFRS 9 and IFRS 15.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2018.

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to the 31 March 2018 condensed interim financial information

Bahraini dinars

4 CHANGE IN ACCOUNTING POLICIES**(a) Adoption of IFRS 9**

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'

The key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarised below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on IAS 39 as disclosed in the audited financial statements as of and for the year ended 31 December 2017.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of trading, held-to-maturity, available-for-sale and loans and receivables.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Company did not have a significant impact on impairment of financial assets from adoption of this standard.

(b) Adoption of IFRS 15

The Company has adopted IFRS 15 – Revenue from contracts with customers on 1 January 2018. There was no significant impact on the Company's interim financial information from adoption of this standard.

(c) Changes to significant estimates and JudgementsFinancial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

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to the 31 March 2018 condensed interim financial information

Bahraini dinars

4 CHANGE IN ACCOUNTING POLICIES (continued)**(d) Impact of adopting IFRS 9**

The impact from the adoption of IFRS 9 as at 1 January 2018 is as follows:

	Retained earnings
Closing balance under IAS 39 (31 December 2017)	9,662,701
<u>Impact on reclassification and remeasurements:</u>	
Investment securities from available-for-sale to those measured at fair value through profit or loss	107,240
Opening balance under IFRS 9 on date of initial application of 1 January 2018	9,769,941

(e) Classification and Measurement of Financial Instruments

The Company performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics. The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	3,893,415	3,893,415
Trade and other receivables	Loans and receivables	Amortised cost	3,062,285	3,062,285
Investment securities				
<i>Managed funds- at fair value</i>	Available-for-sale	FVTPL	7,344,239	7,344,239
			14,299,939	14,299,939

- 5 The earnings per share was calculated on the basis of net profit for the period of BD 813,846 (2017: BD 1,962,626) divided by the average weighted number of shares issued net of treasury shares for the period ended 31 March 2018 of 24,832,500 shares (2017: 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.
- 6 Appropriations of profit, if any, will be made only at the year-end.
- 7 During the period, the Shareholders approved the following appropriations for 2017 in their Annual General Meeting held on 28 March 2018 which were effected during the period:

	2018	2017
Cash dividends of 20 fils per share (2017: 20 fils per share)	496,511	496,511
Charity contributions	20,000	20,000

The shareholders also approved directors' remuneration of BD 60,000 (2017: BD 34,077).

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to the 31 March 2018 condensed interim financial information

Bahraini dinars

8 INVESTMENTS SECURITIES

Managed funds at fair value through profit or loss
 Available-for-sale investments – managed funds

31 March 2018	31 December 2017
7,344,239	-
-	6,731,064
7,344,239	6,731,064

Movement:

At beginning of the period
 Additions
 Disposals
 Change in fair value
 Impairment

6,731,064	6,275,515
-	6,169,181
-	(5,332,389)
613,175	(340,702)
-	(40,541)
7,344,239	6,731,064

At end of the period

9 INVESTMENT INCOME

Dividends income
 Change in investments at fair value through profit or loss
 Profit on sale of available-for-sale investments

Three months ended 31 March 2018	Three months ended 31 March 2017
-	122,301
613,175	-
-	1,618,320
613,175	1,740,621

10 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.

NOTES**to the 31 March 2018 condensed interim financial information**

Bahraini dinars

10 RELATED PARTIES (continued)**a) Transactions and balances with and from/ to related parties****Common controlled entities:****i) Statement of financial position**

Import finance loans
Accrued interest on import finance loans

31 March 2018	31 December 2017
-	421,674
-	1,293
-	422,967

ii) Statement of profit or loss

Interests on import finance loans
Other operating expenses

Three months ended 31 March 2018	Three months ended 31 March 2017
1,292	-
1,610	-
2,902	-

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:-

Board of Directors' remuneration provided during the period
Other board of directors expenses
Salaries and other benefits

Three months ended 31 March 2018	Three months ended 31 March 2017
15,000	-
45,350	21,475
24,368	59,219
84,718	80,694

11 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.

NOTES**to the 31 March 2018 condensed interim financial information**

Bahraini dinars

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

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

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

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

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

a) Financial instruments measured at fair value:

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

2018	Level 1	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:				
Managed funds	7,344,239	-	-	7,344,239
	7,344,239	-	-	7,344,239
2017				
Available-for-sale investments:				
Managed funds	6,731,064	-	-	6,731,064
	6,731,064	-	-	6,731,064

No transfers out of, or into, the level 3 measurement classification occurred during the period ended 31 March 2018 or 31 March 2017.

b) Other financial assets and liabilities:

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