

Bahrain Flour Mills Company B.S.C.

CONDENSED INTERIM FINANCIAL INFORMATION

31 March 2022

Commercial registration	:	1170 (Bahrain Joint Stock Company)
Board of Directors	:	Mr. Marwan Khaled Tabbara (<i>Chairman</i>) Mr. Salah Mohamed Al Kulaib (<i>Vice chairman</i>) Mr. Ayman Abdulhameed Zainal Mr. Eyad Redha Faraj Mr. Khalid Abdulaziz Abdulla Aljassim Ms. Raghdan Saleh Qasim Abdulrasool
Offices and plant	:	Building 1773, Road 4236, Block 342 PO Box 26787, Mina Salman, Manama – Kingdom of Bahrain Telephone 17729984, Fax 17729312 E-Mail: info@bfm.bh
Bankers	:	Ahli United Bank BSC National Bank of Bahrain BSC Bank of Bahrain and Kuwait BSC Arab Bank National Bank of Kuwait
Auditors	:	KPMG Fakhro
Shares registrar	:	Bahrain Clear B.S.C (closed)

Bahrain Flour Mills Company B.S.C.

**CONDENSED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2022**

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Independent auditors' report on review of condensed interim financial information

To the Board of Directors

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

Introduction

We have reviewed the accompanying 31 March 2022 condensed interim financial information of Bahrain Flour Mills Company B.S.C. (the "Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2022;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2022;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2022; 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 2022 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

12 May 2022

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

Bahraini dinars

	Note	31 March 2022 (Reviewed)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,679,345	5,787,313
Total non-current assets		5,679,345	5,787,313
Current assets			
Investments at fair value through profit or loss	8	16,733,624	13,998,106
Inventory		8,720,941	8,676,953
Receivables and other assets	9	2,985,355	2,505,562
Cash and bank balance		1,810,297	1,370,668
Total current assets		30,250,217	26,551,289
Total assets		35,929,562	32,338,602
EQUITY AND LIABILITIES			
Equity			
Share capital		2,481,877	2,481,877
Share premium		1,350,000	1,350,000
Statutory reserve		1,241,625	1,241,625
Other reserves		3,463,628	3,463,628
Retained earnings		18,153,033	15,901,795
Total equity		26,690,163	24,438,925
Non-current liabilities			
Lease liabilities		377,601	382,196
Employee benefits		119,361	103,638
Total non-current liabilities		496,962	485,834
Current liabilities			
Lease Liabilities		67,380	67,380
Trade payables and other liabilities		5,007,229	516,539
Import finance loans		2,404,254	5,555,448
Bank overdraft		1,263,574	1,274,476
Total current liabilities		8,742,437	7,413,843
Total liabilities		9,239,399	7,899,677
Total equity and liabilities		35,929,562	32,338,602


Marwan Khaled Tabbara
Chairman


Salah Mohamed Al Kulaib
Vice Chairman


Wayne Henry Craig
Chief Executive Officer

The accompanying notes 1 to 17 are an integral part of the condensed interim financial information.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the three months ended 31 March 2022

Bahraini dinars

	Note	Three months ended 31 March 2022 (Reviewed)	Three months ended 31 March 2021 (Reviewed)
Sales	10	2,029,943	1,928,346
Cost of sales		(5,162,275)	(3,839,413)
Gross loss before government subsidy		(3,132,332)	(1,911,067)
Government subsidy	11	3,601,716	2,394,697
Other operating income		10,300	12,104
Gross profit		479,684	495,734
Other operating expenses		(341,521)	(329,433)
Operating profit		138,163	166,301
Change in fair value of investment at fair value through profit and loss	8	2,735,518	937,071
Finance cost		(8,359)	(6,222)
Other income		26,556	13,795
Profit for the period		2,891,878	1,110,945
Other comprehensive income for the period		-	-
Total comprehensive income for the period		2,891,878	1,110,945
Basic and diluted earnings per share (fils)	4	116 fils	45 fils



Marwan Khaled Tabbara
Chairman



Salah Mohamed Al Kulaib
Vice Chairman



Wayne Henry Craig
Chief Executive Officer

The accompanying notes 1 to 17 are an integral part of the condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2022

Bahraini dinars

2022 (Reviewed)

At 1 January 2022
Total comprehensive income for the period
Charity approved for 2021
Dividends declared for 2021

	Share capital	Share premium	Reserves		Retained earnings	Total
			Statutory reserve	Other reserves		
	2,481,877	1,350,000	1,241,625	3,463,628	15,901,795	24,438,925
	-	-	-	-	2,891,878	2,891,878
	-	-	-	-	(20,000)	(20,000)
	-	-	-	-	(620,640)	(620,640)
At 31 March 2022	2,481,877	1,350,000	1,241,625	3,463,628	18,153,033	26,690,163

2021 (Reviewed)

At 1 January 2021
Total comprehensive income for the period
Charity approved for 2020
Dividends declared for 2020

	Share capital	Share premium	Reserves		Retained earnings	Total
			Statutory reserve	Other reserves		
	2,481,877	1,350,000	1,241,625	3,463,628	12,347,307	20,884,437
	-	-	-	-	1,110,945	1,110,945
	-	-	-	-	(20,000)	(20,000)
	-	-	-	-	(372,384)	(372,384)
At 31 March 2021	2,481,877	1,350,000	1,241,625	3,463,628	13,065,868	21,602,998

The accompanying notes 1 to 17 are an integral part of the condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CASH FLOWS
for the three months ended 31 March 2022

Bahraini dinars

	Three months ended 31 March 2022 (Reviewed)	Three months ended 31 March 2021 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	2,891,878	1,110,945
<i>Adjustments:</i>		
Depreciation / amortization	121,308	144,745
Net change in investments at fair value through profit or loss	(2,735,518)	(937,071)
Finance cost	8,359	6,222
Interest income	(956)	(3,096)
Government subsidy - expense reimbursement	(10,300)	(12,104)
<i>Change in working capital:</i>		
Inventories	(43,988)	3,379,449
Receivables and other assets	(479,793)	798,269
Trade payables and other liabilities	3,860,368	(1,647,129)
Provision for employees' indemnities	15,723	4,295
Cashflows from operating activities	3,627,081	2,844,525
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed deposit matured during the period	-	500,000
Interest income received	956	6,018
Purchase of equipment	(13,358)	(38,937)
Cashflows (used in) / from investing activities	(12,402)	467,081
CASH FLOWS FROM FINANCING ACTIVITIES		
Import finance loans availed	846,437	-
Repayment of import finance loans	(3,997,631)	(3,427,158)
Finance cost	(8,359)	(702)
Lease liability movement	(4,595)	-
Cashflows used in financing activities	(3,164,148)	(3,427,860)
Net change in cash and cash equivalents during the period	450,531	(116,254)
Cash and cash equivalents at 1 January	96,192	1,362,879
Cash and cash equivalents at 31 March	546,723	1,246,625
Comprising:		
Cash on hand	964	1,494
Bank balances	1,809,333	1,245,131
Bank overdraft	(1,263,574)	-
	546,723	1,246,625

The accompanying notes 1 to 17 are an integral part of the condensed interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**For the three months ended 31 March 2022**

Bahraini dinars

1 REPORTING ENTITY

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

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

The Company's majority shareholder is Bahrain Mumtalakat Holding Company B.S.C. (c) ("Mumtalakat" or "Ultimate Parent"), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 65.73% of the Company's share capital. With effect from 15 December 2021 the majority shareholder holding 65.73% was transferred from Mumtalakat Holding Company B.S.C (c) to Bahrain Investment Holding Company – Istithmar B.S.C. Closed. The necessary intimation has been filed with regulators.

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

- (i) 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 contain all of the information and disclosures required in the annual financial statements as at 31 December 2021 and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2021. 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 2021. There are some amendments to existing standards and framework, which are effective from 1 January 2022, but these do not have a significant impact on the Company's condensed interim financial information. The Company did not early adopt any new standards during the period.
- (ii) The condensed interim financial information is reviewed, not audited. The corresponding figures for the condensed interim statement of financial position have been extracted from the Company's audited financial statements for the year ended 31 December 2021 and the corresponding figures for the condensed interim statements of comprehensive income, changes in equity and cash flows have been extracted from the Company's 31 March 2021 reviewed condensed interim financial information.

b) Use of 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.

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.

c) Financial risk management

The Company's financial objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**For the three months ended 31 March 2022**

Bahraini dinars

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this condensed interim financial information are the same as those applied in the Company's audited financial statements as at and for the year ended 31 December 2021.

4 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of equity shares outstanding during the period ended 31 March 2022 as follows:

	31 March 2022 (Reviewed)	31 March 2021 (Reviewed)
Profit for the period	2,891,878	1,110,945
Weighted average number of equity shares in issue	24,832,500	24,832,500
Basic and diluted earnings per share	116 fils	45 fils

5 APPROPRIATIONS

At the Annual General Meeting held on 27 March 2022, the Company's shareholders approved the Board of Directors' proposal to pay dividends of BD 0.025 per share, amounting to BD 620,640 for the financial year ended 31 December 2021 (2020: BD 0.015 per share, amounting BD 372,384).

The directors' remuneration of BD 60,000 for the financial year ended 31 December 2021 (2020: BD 60,000) was also approved by the shareholders at the Annual General Meeting held on 27 March 2022.

The appropriations for the financial year ending 31 December 2022 will be made in the next Annual General Meeting.

6 SEASONALITY OF OPERATIONS

The Company does not have income of seasonal nature.

7 PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment includes capital work in progress of BD 2,899,302 incurred towards supply and install mechanical and electrical equipment including the engineering work to upgrade cleaning house, new mill and to upgrade the flour blending and mixing and Flour Sterilator in the lease hold property for a total contract value of BD 2,928,475.

8 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2022 (Reviewed)	31 December 2021 (Audited)
At 1 January	13,998,106	10,456,304
Change in fair value	2,735,518	3,541,802
At end of the period	16,733,624	13,998,106

The investments at fair value through profit or loss consist of quoted securities and funds.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended 31 March 2022

Bahraini dinars

9 RECEIVABLES AND OTHER ASSETS

	31 March 2022 (Reviewed)	31 December 2021 (Audited)
Subsidy receivable	2,488,444	2,174,524
Trade receivables	387,520	204,769
Advances to suppliers	119,243	139,306
Others	37,148	33,963
	3,032,355	2,552,562
Provision for impairment	(47,000)	(47,000)
	2,985,355	2,505,562

The movement in the provision for impairment is as follows:

	31 March 2022 (Reviewed)	31 December 2021 (Audited)
At 1 January	47,000	-
Charge for the period	-	47,000
	47,000	47,000

10 SALES

	Three months ended 31 March 2022 (Reviewed)	Three months ended 31 March 2021 (Reviewed)
Flour	1,311,325	1,282,500
Bran	314,704	350,536
Special products	403,914	295,310
	2,029,943	1,928,346

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**For the three months ended 31 March 2022**

Bahraini dinars

11 GOVERNMENT SUBSIDY

Government subsidy is calculated for the majority of the Company's products, as the difference between the actual cost of wheat purchased and used for local sales products plus BD 31 per ton (2021: BD 31 per ton) sold for all other related costs of flour sold locally, and the total local sales made during the period.

During the current period, updated subsidy is calculated for special retail products, which is calculated as the difference between the actual cost of wheat purchased and used for local sales products plus a range between BD 98 to BD 145 per ton sold for all other related costs of flour sold locally, and the total local sales made during the period.

The following table shows the details of Government subsidy:

	Three months ended 31 March 2022 (Reviewed)	Three months ended 31 March 2021 (Reviewed)
Actual cost of wheat purchased and used	4,530,205	3,224,039
Plus: BD 31 and difference between retail products selling price per ton of wheat products sold locally	1,003,497	924,324
	5,533,702	4,148,363
Gross sales subject to subsidy	(1,931,986)	(1,753,666)
	3,601,716	2,394,697

Quantity sold during the period was 31,654 tons (Subsidized 30,998 tons and Commercial 656 tons) (2021: 31,089 tons (Subsidized 29,817 tons and Commercial 1,272 tons)).

12 RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Transactions with shareholders

The Company qualifies as a government related entity under the definitions provided in IAS 24. The Company purchase Electricity, avails short-term loan and receives services from various Government and semi-government organisation and companies in the Kingdom of Bahrain. Other than purchase of Electricity and availing short-term loan, such other transactions are in the normal course of business and are not considered to be individually significant in terms of size.

Transactions with other commercial non-government related parties related to the controlling shareholder and significant transaction with government related entities included in the statement of profit or loss are as follows:

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2022

Bahraini dinars

12 RELATED PARTIES (continued)**a) Transactions and balances with related parties**

		Three months ended 31 March 2022 (Reviewed)	Three months ended 31 March 2021 (Reviewed)
i) Statement of profit or loss and other comprehensive income	Relationship		
Finance cost on import finance loans	Affiliate of Ultimate Parent	22,522	21,600
Other operating expenses	Affiliate of Ultimate Parent	1,995	1,709
		24,517	23,309
		Three months ended 31 March 2022 (Reviewed)	Three months ended 31 March 2021 (Reviewed)
ii) Import Finance Loan	Relationship		
Repayment of import finance loans	Affiliate of Ultimate Parent	(1,827,131)	(1,453,866)
		31 March 2022 (Reviewed)	31 December 2021 (Audited)
iii) Statement of financial position	Relationship		
Import finance loans	Affiliate of Ultimate Parent	1,839,962	3,667,094
Accrued interest on import finance loans	Affiliate of Ultimate Parent	9,381	32,518
Bank balance	Affiliate of Ultimate Parent	(343,664)	284,080

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:

	Three months ended 31 March 2022 (Reviewed)	Three months ended 31 March 2021 (Reviewed)
Salaries and other benefits	82,824	37,042
Directors' sitting fees	28,600	25,800
Board of Directors' remunerations accrued during the period	15,000	15,000
Other board of directors' expenses	1,352	2,933
	127,776	80,775

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the three months ended 31 March 2022

Bahraini dinars

13 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 this condensed interim financial information.

14 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:

31 March 2022 (Reviewed)	Level 1	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:				
Quoted securities and managed funds	16,733,624	-	-	16,733,624
	16,733,624	-	-	16,733,624
31 December 2021 (Audited)	Level 1	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:				
Quoted securities and managed funds	13,998,106	-	-	13,998,106
	13,998,106	-	-	13,998,106

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**For the three months ended 31 March 2022**

Bahraini dinars

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

There were no transfers between the levels during the period.

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.

15 LEASE

The land at Mina Salman on which the mill was built is leased by the Company. The original lease contract with the Government of Bahrain was expired on 30 June 2020 and the management of the Company is in progress to renew of the lease contact on new rates, terms and conditions. As of the date of this condensed interim financial information, the lease assets and liabilities were calculated based on extension made on the original contract terms and conditions. The new lease agreement is expected to be finalized during the current year.

16 COMMITMENTS AND CONTINGENCIES**(i) Commitments*****Pending capital commitment***

Estimated capital expenditure contracted for at the reporting date amounted to BD 327,277 (31 December 2021: BD 327,277). The commitments are expected to be settled within 1 to 5 years from the reporting date.

(ii) Contingencies

At 31 March 2022, the Company had contingent liabilities in respect of the bank guarantees amounting to BD 500 (2021: BD 500) from which is anticipated that no material liabilities will arise.

17 SIGNIFICANT EVENTS**(i) COVID - 19**

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally, which continued in 2021 and 2022. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility in prices. Since the outbreak, the authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

(ii) Other significant matters

The current ongoing conflict between Russia-Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries. The management has carried out an assessment and has concluded that it does not have any direct exposures to / from the impacted countries. However, potential for indirect exposures continue to exist. At this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. To minimize the indirect impact the management has taken number of actions to secure known grain type and quality from known origin at time aligned with anticipated requirements, to maintain uninterrupted supply within the available capacity of the Company's infrastructure, forward cover is sought to mitigate any lack of capacity from origin. The impact of the changes and volatility in prices will be subsidized by the Government of Kingdom of Bahrain as per current subsidy arrangement structure. The management will continue to closely monitor impact of this evolving situation on its operation to assess indirect impact, if any.

In preparing the condensed interim financial information, judgements made by management in applying the Company's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

