AL-MATAHIN

2016 ANNUAL REPORT

المطاحن
AL-MATAHIN

Timeless tradition of unmatched purity, since 1970

WHEAT.
THE VERSATILE CEREAL.

Wheat is one of the first domesticated crops in human history. For over 8000 years, it has been the staple food for European, Asian, Middle Eastern and North African civilizations.

Wheat is grown on more land area than any other crops and the global trade of wheat is greater than all other crops combined. There are thousands of wheat varieties grown all over the world and it is the leading source of vegetable protein in human food.

His Royal Highness
Prince Khalifa bin Salman
Al Khalifa
The Prime Minister of
the Kingdom of Bahrain

His Majesty
King Hamad bin Isa
Al Khalifa
King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad
Al Khalifa
Crown Prince, Deputy Supreme
Commander and First Deputy
Prime Minister of the
Kingdom of Bahrain

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GENERAL INFORMATION

Commercial registration 1170 (Bahrain Joint Stock Company)

Board of Directors

Mr. Abdullateef Khalid Alaujan
Chairman

Mr. Salah Mohamed Al Kulaib
Vice Chairman

Mrs. Afnan Rashed Al Zayani

Dr. Seena Rahma Jaberi

Mr. Abbas Abdulmohsen Radhi

Mr. Adel Ahmed Abdulmalek

Mr. Marwan Khaled Tabbara

Dr. Marwa Khalid Al Sabbagh

Audit Committee

Mr. Abbas Abdulmohsen Radhi
Chairman

Mrs. Afnan Rashed Al Zayani
Vice Chairman

Mr. Adel Ahmed Abdulmalek

Corporate Governance Committee

Mr. Abbas Abdulmohsen Radhi
Chairman

Mrs. Afnan Rashed Al Zayani
Vice Chairman

Mr. Adel Ahmed Abdulmalek

Nomination and Remuneration Committee

Dr. Seena Rahma Jaberi
Chairman

Mr. Salah Mohamed Al Kulaib
Vice Chairman

Mr. Abbas Abdulmohsen Radhi

Investment Committee

Mr. Abdullateef Khalid Alaujan
Chairman

Mr. Marwan Khaled Tabbara

Wheat Purchasing Committee

Mr. Abdullateef Khalid Alaujan
Chairman

Mr. Salah Mohamed Al Kulaib
Vice Chairman

Mr. Marwan Khaled Tabbara

Chief Executive Officer

Mohammed Abdulwahab Nass

Chief Operating Officer

Atif Mohamed Alkhaja

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

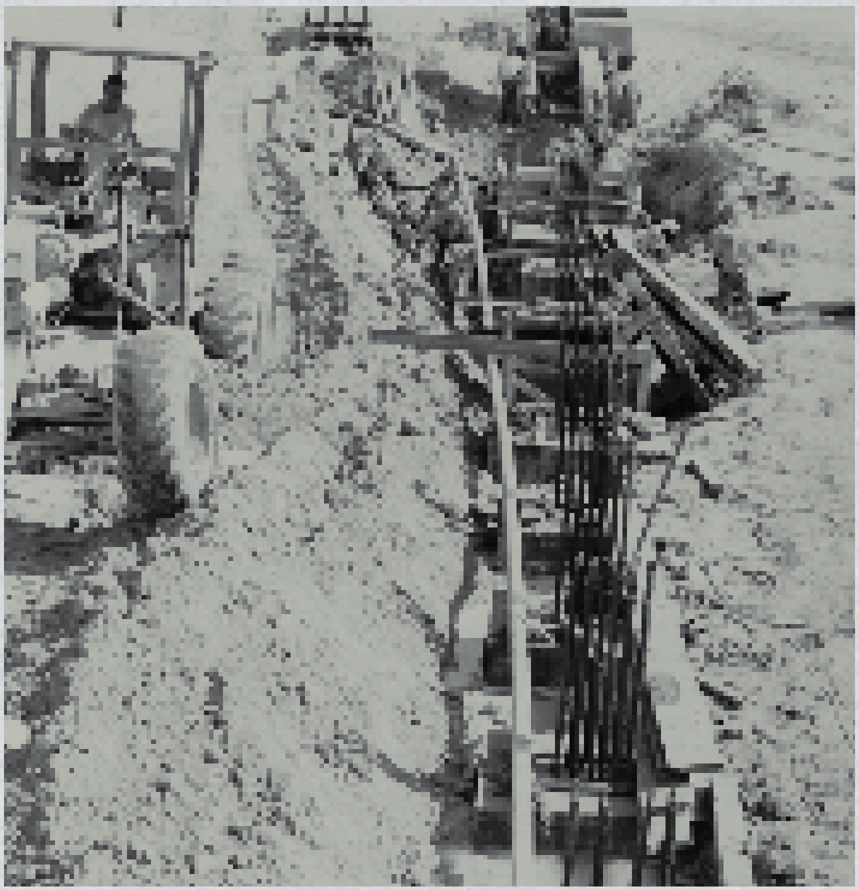
Auditors

KPMG Fakhro

Shares Registrar

Karvy Computershare W.L.L.

1970

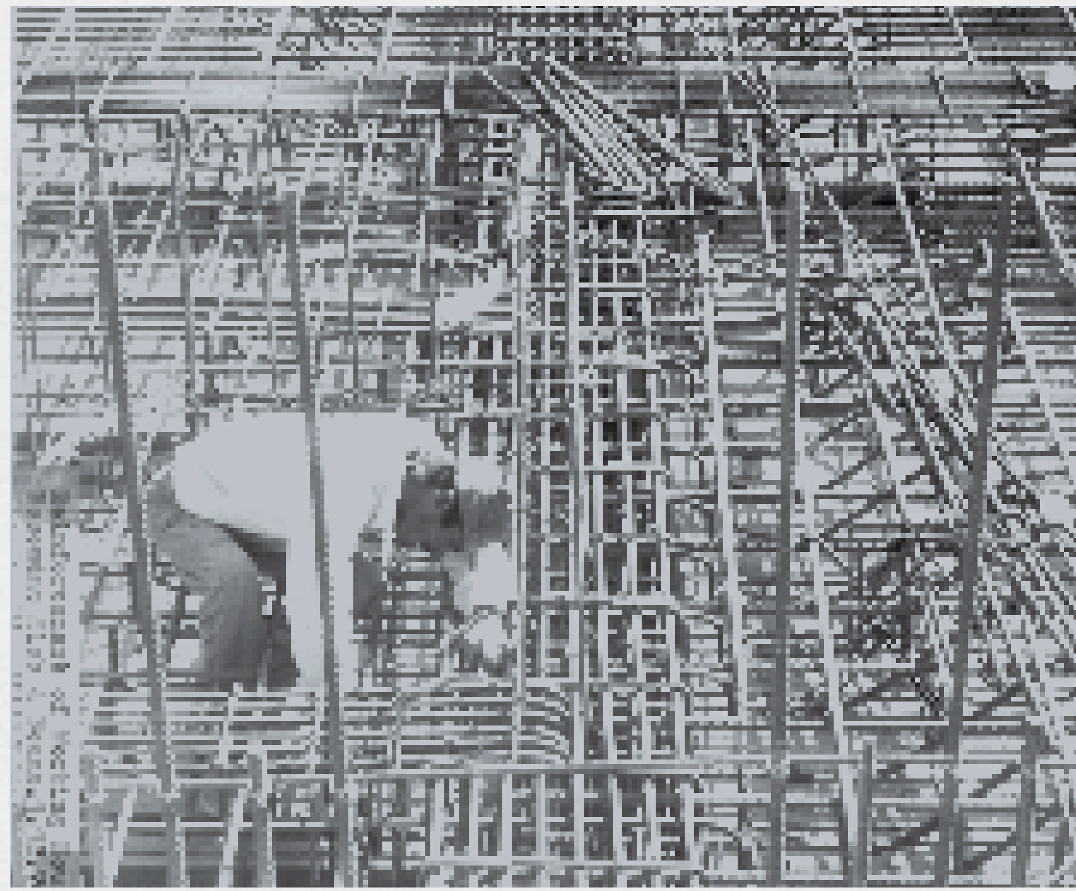


A dream blooms. So does a splendid tradition.

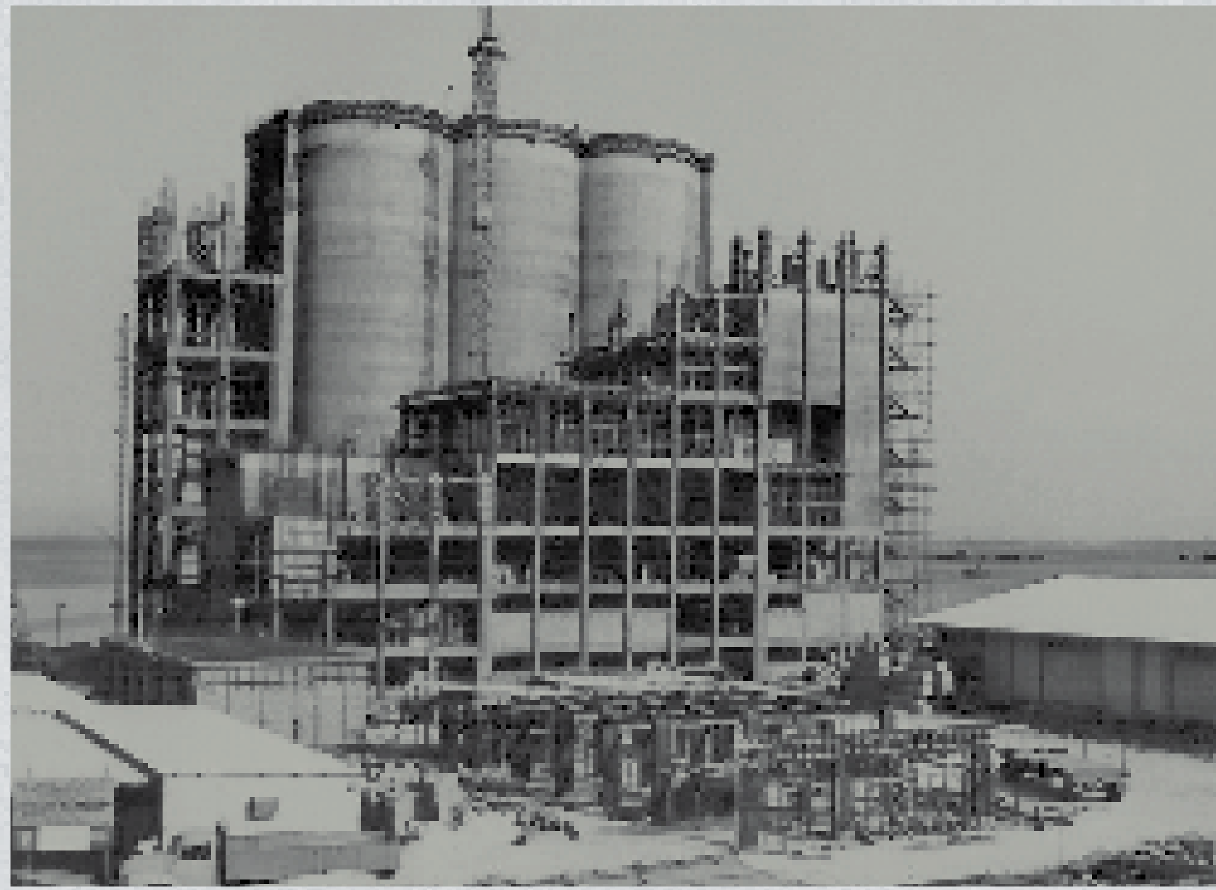
THE GRAND BEGINNINGS

SEVERAL DECADES BACK, A DREAM WAS BORN. A DREAM CALLED BAHRAIN FLOUR MILLS COMPANY. ON THE 9TH OF MAY 1970, THE DREAM GOT WINGS WHEN THE COMPANY WAS INCORPORATED IN THE KINGDOM OF BAHRAIN UNDER AN AMIRI DECREE.

It brought immense pride in everyone who dreamt together and worked together to turn that dream into reality. Thus began a glory-laden tradition of purity that knows no rivals.



1972

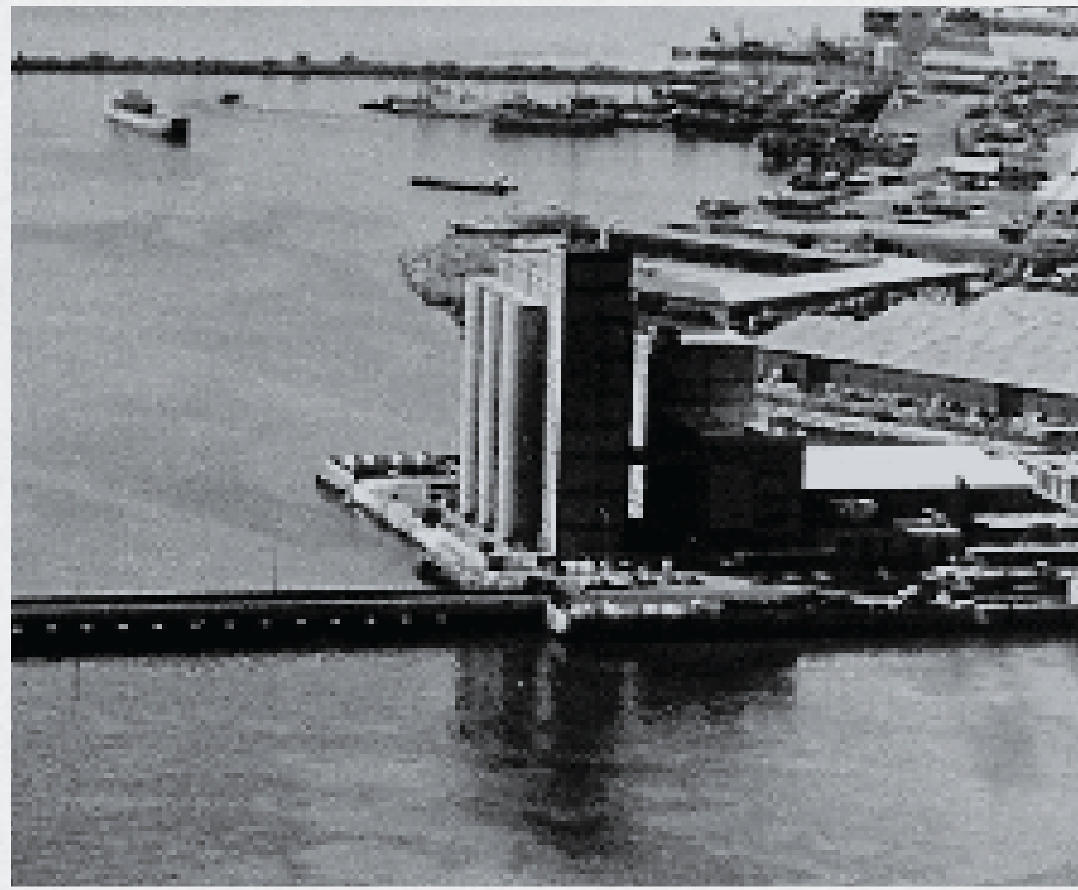


One single dream. Never-ending possibilities.

FROM FOUNDATION TO FULFILMENT

THE DREAM ASSUMED A DEFINITE PLAN. THE DESERT TRANSFORMED INTO A GRAND STAGE WHERE THE DREAM WAS BUILT BRICK BY BRICK. EVERYTHING WENT INTO IT - VISION, HARDWORK AND COMMITMENT.

And on the 1st of May 1972, the Company commenced commercial operations, fulfilling the dream and opening up a world of endless possibilities of growth in the country's food processing industry.



1980

NEW IDEAS.
NEW HORIZONS.

DEMAND FOR WHEAT FLOUR AND RELATED PRODUCTS GREW; SO DID OUR MANUFACTURING CAPACITY. USES OF PRODUCTS BROADENED; SO DID OUR RANGE. EXPECTATIONS OF QUALITY STANDARDS EVOLVED; SO DID OUR TECHNOLOGY AND INNOVATIONS.

BFM has adopted new ideas in food sourcing, processing and distribution and emerged as one of the highly successful companies in the Kingdom.

Adapting, innovating and moving successfully ahead.

CHAIRMAN'S REPORT

Bahrain Flour Mills Company B.S.C, has maintained its leadership position in the Bahrain market and in the marketing of all its products.

Mr. Abdullateef Khalid Alaujan
Chairman

CHAIRMAN'S REPORT

Dear Shareholders,

Dear Shareholders,

I am pleased on behalf of the Board of Directors of Al-Matahin to present to you the annual report for the fiscal year ended December 31, 2016.

Bahrain Flour Mills Company B.S.C, has maintained its leadership position in the Bahrain market and in the marketing of all its products, as it has achieved a net profit for the year 2016, that has amounted to **BD. 803,067/-**.

I am also pleased to present to you the Board of Directors' recommendation to the AGM to distribute dividends for the year ended December 31, 2016 as follows:

- Distribution of a cash dividend of 20 fils per share, or 20% of the paid-up capital, amounting to a total **BD. 496,511/-**
- Allocation of **BD. 34,077/-** for Board of Directors Remuneration.
- Allocation of **BD. 20,000/-** for charity.

Dear shareholders,

The Board of Directors assures you always on the development and expansion of the company's activities through a commitment to corporate governance and internal audit, health and safety, to ensure the preservation of the company's position and its commitment to the preservation of its mission of keeping food security and high quality.

Thanks and gratitude.

I'm pleased to express on my behalf and on behalf of the Board of Directors and the Shareholders great appreciation and obligations to His Majesty King Hamad bin Isa Al Khalifa, The King of Kingdom of Bahrain, and His Royal Highness Prince Khalifa bin Salman Al Khalifa, The Prime Minister, and His Royal Highness Prince Salman bin Hamad Al Khalifa, The Crown Prince and Deputy Supreme Commander and First Deputy Prime Minister. We also extend our thanks to the Minister, agents, managers and heads of departments in the Ministries and Government organizations of the Kingdom for their wise guidance, cooperation and continuous support.

We assure that the Company's success is not possible without the hard work and dedication of management and staff, this is shared by the Board of Directors to provide our thanks and our appreciation and gratitude for the management of the company and all its employees for their dedication to work and their achievements to assure the best possible results in 2016. We are fortunate to have such a committed and outstanding team, and we are confident that this team will continue to achieve the best possible results in the future.

Abdullateef Khalid Alaujan
Chairman
13 February 2017

The commitment to upholding quality guides us to grow bigger.

SPLENDID GROWTH. PROUD PRESENCE.

Over these years, Bahrain Flour Mills Company B.S.C. has grown into an irreplaceable presence in the Kingdom's food processing industry.

BFM, now a public shareholding company, produces wheat flour and a wide range of related products, which are sold in Bahrain. They reach individual households, restaurants, hotels and bakeries, ensuring wide variety, unmatched convenience and unparalleled purity.

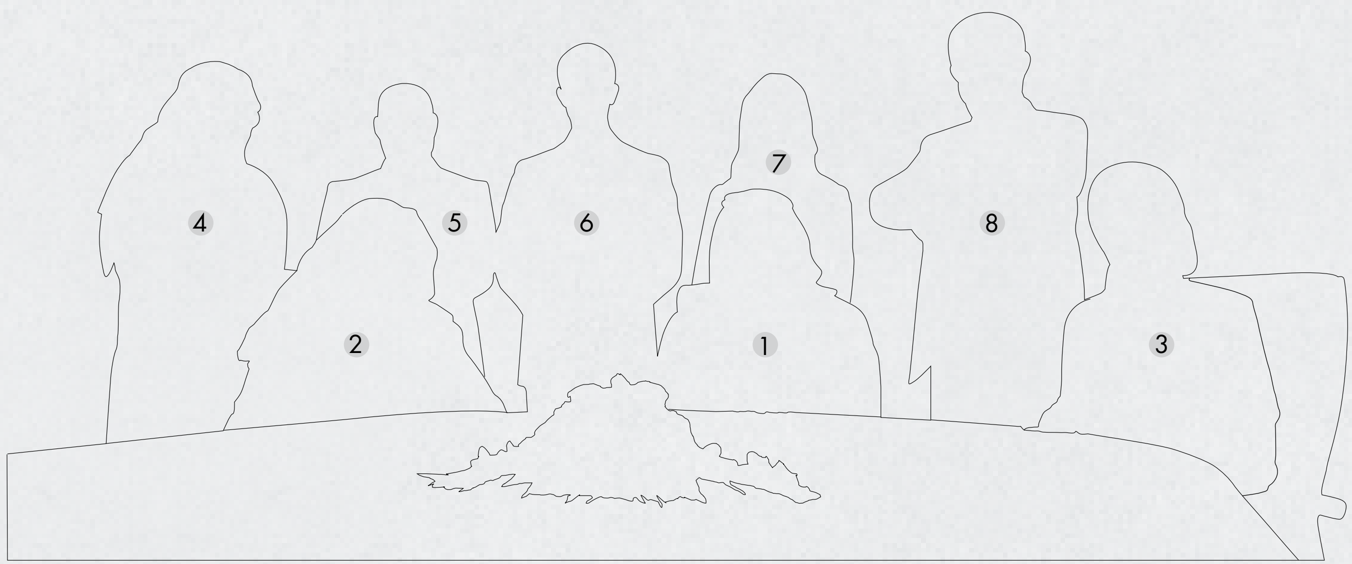
BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

It is our pleasure, as the Board of Directors of the Bahrain Flour Mills Company, to review the Company's activities and present the results for the year 2016.

BOARD OF DIRECTORS' REPORT

1. **Mr. Abdullateef Khalid Alaujan** - Chairman
2. **Mr. Salah Mohamed Al Kulaib** - Vice Chairman
3. **Mrs. Afnan Rashed Al Zayani** - Director
4. **Mr. Adel Ahmed Abdulmalek** - Director
5. **Mr. Abbas Abdulmohsen Radhi** - Director
6. **Mr. Marwan Khaled Tabbara** - Director
7. **Dr. Marwa Khalid Al Sabbagh** - Director
8. **Dr. Seena Rahma Jaberi** - Director



GREATNESS GLOBALLY RECOGNISED

Our superior manufacturing standards and quality of our products are certified by renowned global bodies.

We have been awarded the Food Safety System Certification 22000 for manufacturing wheat products and Hazard Analysis Critical Control Points (HACCP) Certification for receiving, milling, packing, storing and distribution of wheat flour and associated products by TUV NORD Cert GmbH.

Quality standards approved by internationally acclaimed authorities.

Ageless values inspire us to deliver on our promises.

PROMISES WELL KEPT

We have been proudly upholding the tradition of purity that gloriously began decades back.

THIS COMMITMENT TO SOURCING THE FINEST AND MANUFACTURING THE BEST HELPS US KEEP THE PROMISES MADE TO MILLIONS OF OUR CUSTOMERS IN THE KINGDOM OF BAHRAIN

Keeping promises takes us forward – to take up newer challenges with confidence and to remain successful as the most preferred wheat flour and product brand for decades to come.

OUR VISION

"To inspire our stakeholders in offering healthy products and maintain leadership in food security in the Kingdom of Bahrain."

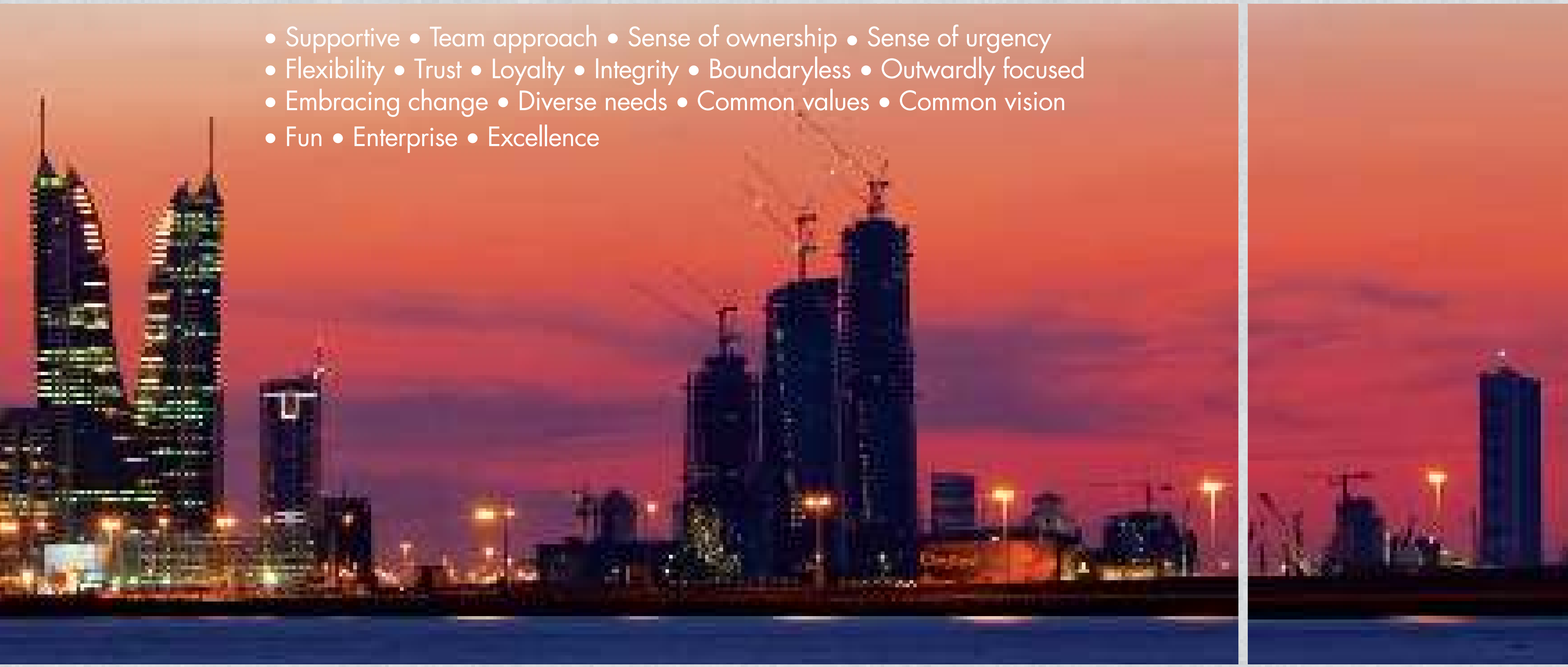
OUR MISSION

"We will demonstrate a meaningful and urgent commitment to food security in the Kingdom of Bahrain and the pursuit of excellence in our products and service offerings.

Through effective communication and example we will promote positive and measurable outcomes. We will inspire active and enjoyable learning experiences and be a catalyst in creating understanding and wonderment of our product offerings.

By enhancing our manufacturing facilities we will lead individuals and communities in the wise and sustainable provision of food products."

OUR VALUES



• Supportive • Team approach • Sense of ownership • Sense of urgency
• Flexibility • Trust • Loyalty • Integrity • Boundaryless • Outwardly focused
• Embracing change • Diverse needs • Common values • Common vision
• Fun • Enterprise • Excellence

ASTOUNDING GROWTH. REALISED BY A PROFOUND VISION, COMMITMENT AND TEAMWORK.

The Corporate Governance Principles adopted by the Board of Directors of Bahrain Flour Mills Company B.S.C. ("Al-Matahin" or "the Company") are intended to embody the principles by which the Board operates.

CORPORATE GOVERNANCE

Overview

The Corporate Governance Principles adopted by the Board of Directors of Bahrain Flour Mills Company B.S.C. ("Al-Matahin" or "the Company") are intended to embody the principles by which the Board operates. These principles are consistent with the procedures mandated by the Central Bank of Bahrain ("CBB") Rulebook, Volume 6 HC Module and the Corporate Governance Code issued by the Bahrain Ministry of Industry and Commerce ("MoIC"). The principals are not intended to be a substitute for regulations or compliance with such regulations, but rather a statement which provides information and direction for the Board and those who deal with the Board. These principles are in addition to any requirements established by the Memorandum and Articles of Association or By-laws.

The Board of Directors of Al-Matahin assumes full responsibility for effective implementation of Corporate Governance Code. Al-Matahin expects the Board as well as all staff to comply with both the letter and the spirit of the Corporate Governance Code. The Board regularly reviews the implementation program related to the Corporate Governance Code, and has procedures in place to ensure that the Code is complied with.

The Board of Directors of the Company is the primary governing body and comprises of eight members. Further, the Board of Directors are governed by a Board Charter, the Articles of Association and all applicable laws. The Board of Directors are required to meet at least four times in a year. Five directors, including the Chairman have been appointed by Mumtalakat. Three Directors have been appointed through an election process where the non-controlling shareholders have elected the Directors as per the Articles of Association and the Bahrain Commercial Company's Law. The Directors are appointed to the Board for a period of three years.

Disclosure Policy

The Board of Directors of Al-Matahin aims to:

- Provide accurate, timely and balanced disclosure of material information about the Company.
- Report its financial results and the status of its business in an accurate and transparent manner. Care is taken to ensure that reports issued are prepared in an understandable and clear manner. To support the principle of transparency, Al-Matahin financial statements are displayed on its website at all times. This is done to ensure that shareholders are aware of all material facts.
- Comply fully with all applicable laws, regulations and rules governing disclosure.
- Ensure that such information is easily accessible by the Company's stakeholders.
- Use the annual report of the Company and the AGM as the principle means of communicating with the shareholders and investors. The AGM is attended by all directors and allows shareholders who attend the meetings to question the Board on any relevant issue.

CORPORATE GOVERNANCE

Management Statement

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy, policies, internal compliance and internal control. The Board oversees an annual assessment of the effectiveness of risk management as well as internal compliance and control. The task of undertaking and assessing risk management and internal control effectiveness are delegated to management. Further, management are responsible for the day to day design and implementation of the Company's risk management and internal control process. Management reports to the Audit Committee who in turn report to the Board on the Company's. Such reporting focusses on key risks and the extent to which management believes these risks are being managed.

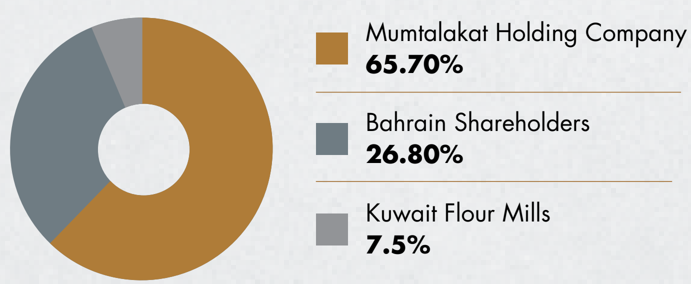
The Board has put a number of mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy. The strategic plan is designed to meet stakeholders requirements and manage business risk.
- Implementation of Board approved operating plans and budgets.
- Board monitoring of progress against these budgets.

Ownership Structure

Owner	Number of Shares	% of shares held
1 Mumtalakat Holding Company	16,322,806	65.7%
2 Bahrain Shareholders	6,661,694	26.8%
3 Kuwait Flour Mills	1,848,000	7.5%

Distribution of shares:-



CORPORATE GOVERNANCE

Board Structure

The Board has the ultimate responsibility for the overall conduct of the Company's business, providing direction to management through exercising objective judgment on all matters in a manner that is independent from executive management.

The Board of Directors of the Company is accountable to shareholders for the proper conduct of the business and for ensuring that the effectiveness of and reporting on the corporate governance framework are in place.

The Board of the Company comprises of 8 Directors. In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there are 7 Non-Executive Directors, 3 of which are Independent.

The detailed information about the directors in the Board of Al-Matahin is set out below:

Mr. Abdullateef Khalid Alaujan
(Non-Executive / Independent) – Chairman

Term of Office	Nominated by Mumtalakat
Business Title & Professional Background	• Chairman – Family Entertainment Company • Chairman – Abdullatif Khalid Al Aujan Real Estate Co. • Chairman – Abdullatif Khalid Al Aujan & Sons Co.
Committee Membership	• Purchasing Committee • Investment Committee
End of the Term	March 2017

CORPORATE GOVERNANCE

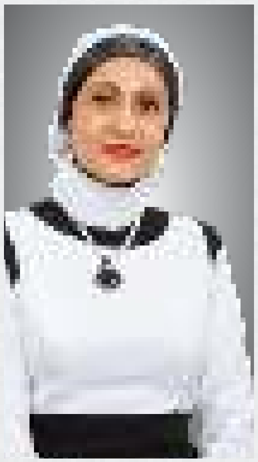
Board Structure (continued)

Mr. Salah Mohamed Al Kulaib
(Non-Executive /Non-Independent) – Vice Chairman

Term of Office	Nominated by Kuwait Flour Mills
Business Title & Professional Background	Board Member – Representing Kuwait Flour Mills
Committee Membership	• Nominating and Remuneration Committee • Purchasing Committee
End of the Term	March 2017

Board Structure (continued)

Mrs. Afnan Rashed Al Zayani
(Non-Executive / Independent) – Director



Term of Office	Member Elected
Business Title & Professional Background	• President & Proprietor – AL Zayani Commercial Services S.P.C. • Founding Board Member & Secretary to the Board – Bahrain Businessmen's Association • Director – Al Ayam Press Printing & Publishing • Board Member & Head – Bahrain Businesswomen Committee at Bahrain Chamber of Commerce & Industry • Member – Gulf Businesswomen Committee in Federation of G.C.C. • Representing Bahrain Chamber of Commerce & Industry – "H.H. Sh. Sabika bint Ibrahim Al Khalifa Award" for Women Empowerment Committee • Member – FTA Committee at Bahrain Economic Board • Board Member – Private Sector Development Association • Member & Head – Economic Empowerment of Bahraini Women at the Supreme Council for Women in Bahrain • Vice Chairman – Bahrain Bourse
Committee Membership	• Audit Committee • Corporate Governance Committee
End of the Term	March 2017

Board Structure (continued)

Mr. Abbas Abdulmohsen Radhi
(Non-Executive / Independent) – Director

Term of Office	Member Nominated by Mumtalakat
Business Title & Professional Background	• Member of Internal Audit Committee – Naseej Company B.S.C. (c.) Bahrain • Chairman – National Corporate Governance Committee • Member – Chamber of Commerce & Industry (Legal Affairs Committee) • Chairman – Ministry of Labour – Bahrain Supreme Council for Vocational Training Council Finance Committee • Board of Trustees – Arab Institute of Certified Public Accountants Economic Unity Council – Arab League • Member – Ahlia University – Bahrain College of Business Administration and Finance External Advisory Board • Member – BDO Worldwide Human Resources and Training Committee and coordinator of the global company and all of the Middle East offices. • Member – Ministry of Education – Bahrain National Committee to evaluate the scientific qualifications and Chairman of the Subcommittee to evaluate the qualifications of the faculties of commerce, accounting and economics.
Committee Membership	• Audit Committee • Corporate Governance Committee • Nomination and Remuneration Committee
End of the Term	March 2017

Board Structure (continued)

Dr. Seena Rahma Jaberi
(Non-Executive / Independent) – Director

Term of Office	Member Elected
Business Title & Professional Background	• Doctorate in Human Behavior & Admin Management, Newport, USA • Founder & CEO – Bahrain Management Centre
Committee Membership	• Nomination and Remuneration Committee
End of the Term	March 2017

Mr. Adel Ahmed Abdulmalek
(Non-Executive / Independent) – Director

Term of Office	Member Nominated by Mumtalakat
Business Title & Professional Background	• Finance Manager, Secretary to the Board of Directors – Gulf Petrochemical Industries Co. (GPIC)
Committee Membership	• Audit Committee • Corporate Governance Committee
End of the Term	March 2017

Board Structure (continued)

Mr. Marwan Khaled Tabbara
(Non-Executive / Independent) – Director

Term of Office	Nominated by Mumtalakat
Business Title & Professional Background	• Managing Partner – STRATUM W.L.L. Bahrain • Management and Business Consultancy
Committee Membership	• Purchasing Committee • Investment Committee
End of the Term	March 2017

Dr. Marwa Khalid Al Sabbagh
(Non-Executive / Non-Independent) – Director

Term of Office	Nominated by Mumtalakat
Business Title & Professional Background	• Senior Associate in the Consumer and Healthcare Investment Sector – Bahrain Mumtalakat Holding Company (BMHC), Bahrain
End of the Term	March 2017

CORPORATE GOVERNANCE

Mandate of the Board

It is the responsibility of the Board of Directors to oversee the direction and management of the Company in accordance with applicable laws, the Company's Articles and applicable rules and regulations whilst adhering to the highest level of ethical standards.

The role of the Board is to govern the Company rather than to manage it. In general, the Board is responsible for, and has the authority to determine, all matters relating to the directions, policies, practices, management and operations of the Company. It is the role of the senior management to manage the Company in accordance with the direction set by the Board and the delegation of authority from the Board. It is also the responsibility of the Board to oversee the activities of management in carrying out delegated duties. The Board is accountable to the Members and Participants of the Company for the business operations and affairs of the Company. Specifically, the board's responsibilities include but are not limited to:

- Strategic planning & budgeting
- Corporate governance
- Key personnel management
- Financial management
- Risk management
- Internal control system

The directors are responsible, both individually and collectively, for performing these responsibilities. Although the Board may delegate certain functions to the sub-committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place.

Board Meetings

As per the Charter of the Board, directors are required to meet at least 4 times per financial year to discharge its responsibilities effectively.

During the year under review, the Board of Directors met 11 times. The Directors met on the following dates and discussed significant items mentioned below. The members of the Board during the year 2016, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Title	17 Feb	11 May	08 Aug	02 Nov
Mr. Abdullateef Khalid Alaujan	Chairman	■	■	■	■
Mr. Salah Mohamed Al Kulaib	Vice Chairman	■		■	■
Mrs. Afnan Rashed Al Zayani	Board Member	■	■		■
Mr. Adel Ahmed Abdulmalek	Board Member	■	■	■	■
Mr. Abbas Abdulmohsen Radhi	Board Member	■	■	■	■
Dr. Seena Rahma Jaberi	Board Member	■	■	■	■
Mr. Marwan Khaled Tabbara	Board Member	■	■		■
Dr. Marwa Khalid Al Sabbagh	Board Member	■			■

Board Meetings (continued)

Extraordinary Meeting for Discussion of		1st Extra	2nd Extra	Market Study and Strategy	The Union Claims	Allocated Land for Al-Matahin	Risk Study	New Production Line
Director Name	**Title**	**10 Jan**	**19 Jan**	**28 Jan**	**22 Mar**	**24 Apr**	**01 Jun**	**21 Sep**
Mr. Abdullateef Khalid Alaujan	Chairman	■		■	■	■	■	■
Mr. Salah Mohamed Al Kulaib	Vice Chairman		■	■	■	■	■	■
Mrs. Afnan Rashed Al Zayani	Board Member		■	■	■		■	■
Mr. Adel Ahmed Abdulmalek	Board Member	■	■	■	■			■
Mr. Abbas Abdulmohsen Radhi	Board Member	■	■	■	■	■	■	■
Dr. Seena Rahma Jaberi	Board Member	■	■	■	■	■	■	
Mr. Marwan Khaled Tabbara	Board Member	■	■	■	■	■	■	■
Dr. Marwa Khalid Al Sabbagh	Board Member	■	■	■		■	■	■

Elections of Directors

There are formal, rigorous and transparent procedures for the appointment of new Directors to the Board.

Candidates are identified and selected on merit based and objective criteria and with due regard to the benefits of diversity on the Board, including gender diversity.

The current directors of the Company were appointed at the General Shareholders Meeting from candidates proposed by the Board on the recommendation of the Nomination and Remuneration Committee (NRC).

Director Appointment Letter

As a member of the Board, each Director has signed a formal written appointment letter which covers: the Director's duties and responsibilities in serving on the Board: the terms and conditions of their directorship: the annual remuneration; entitlement to reimbursement of expenses; access to independent professional advice when needed; and other relevant content.

CORPORATE GOVERNANCE

Induction and Training of Directors

The Chairman in conjunction with the NRC is responsible for ensuring that induction and training programs are provided to new Directors.

Individual directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a Director.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a Director. On appointment, individual Directors undergo an induction program, which covers the following key areas plus other matters:

- The business of the Company;
- Their legal and regulatory responsibilities as Directors;
- Briefings and presentations from relevant executives; and
- Opportunities to visit business operations.
- Throughout their period in office the Directors are updated on the Company's business and the regulatory and industry specific environments in which it operates.

These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

Termination of Directors

The membership of the Directors is terminated upon the expiry of the term for which they were appointed. Once this occurs, the Director can stand for re-election.

The termination of directorship can also take effect if any Director is in breach of the applicable governing laws and requirements of the Articles of Association.

Performance Evaluation

The performance evaluation of the Board, Board Committees' individual Directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC. The aim of the performance evaluation is to improve the effectiveness of the Board and its committees, including individual contributions and the Company's performance as a whole.

The evaluation is designed to determine whether the Board, its Committees, individual Directors and executive management continue to be capable of providing the high level judgment required by their positions and are informed and up to date with the business, its goals, and, the context within which it operates.

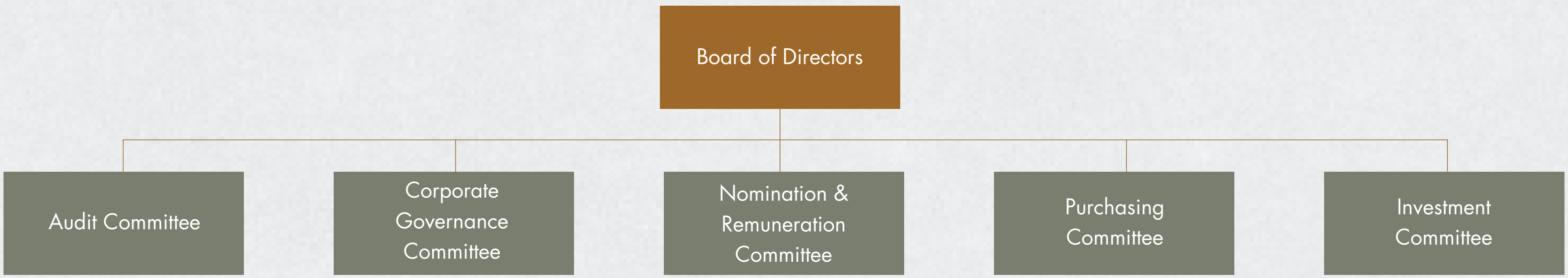
The next performance evaluation of the Board, its Committees, individual Directors and executive management is scheduled for 2017.

CORPORATE GOVERNANCE

Board Committees Structure

In order to assist the Board in discharging its duties effectively and efficiently, the Board has established the following sub-committees:

The Board has ensured that the Board Committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. Each Board Committee has access to such information and advice it deems necessary, both from within the Company and externally which is provided and paid for by the Company.



Audit Committee

Committee Meetings

As per the Charter of the Audit Committee, the Directors are required to meet at least 4 times during a financial year to discharge the committee's responsibilities effectively. During the year, the Audit Committee met on 4 occasions on the following dates.

The members of the Audit Committee during the year 2016, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Title	16 Feb	08 May	08 Aug	16 Oct
Mr. Abbas Abdulmohsen Radhi	Chairman	■	■	■	■
Mrs. Afnan Rashed Al Zayani	Vice Chairman	■	■		■
Mr. Adel Ahmed Abdulmalek	Board Member	■	■	■	■

CORPORATE GOVERNANCE

Corporate Governance Committee

Committee Meetings

As per the Charter of the Corporate Governance Committee, the Directors are required to meet at least 2 times per financial year to discharge the committee's responsibilities effectively.

The members of the Corporate Governance Committee during the year 2016, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Title	16 Oct	28 Dec
Mr. Abbas Abdulmohsen Radhi	Chairman	■	■
Mrs. Afnan Rashed Al Zayani	Vice Chairman	■	■
Mr. Adel Ahmed Abdulmalek	Board Member	■	■

Nomination and Remuneration Committee (NRC)

Committee Meetings

As per the Charter of the NRC, the Directors are required to meet at least 4 times per financial year to discharge its responsibilities effectively.

The members of the NRC during the year 2016, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Title	19 Jan	28 Jan	17 Feb	18 Apr	16 May	12 Jun	13 Jun	03 Jul	16 Jul	12 Dec
Dr. Seena Rahma Jaberi	Chairman	■	■	■	■	■	■	■	■	■	■
Mr. Salah Mohamed Al Kulaib	Vice Chairman	■	■	■	■				■	■	■
Mr. Abbas Abdulmohsen Radhi	Board Member	■	■	■	■	■	■	■	■	■	■

CORPORATE GOVERNANCE

Purchasing Committee

Committee Meetings

As per the Charter of the Purchasing Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

The members of the Purchasing Committee during the year 2016, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Title	01 Mar	01 Jun	05 Oct
Mr. Abdullateef Khalid Alaujan	Chairman	■	■	■
Mr. Salah Mohamed Al Kulaib	Vice Chairman	■	■	■
Mr. Marwan Khaled Tabbara	Board Member	■	■	■

Investment Committee

Committee Meetings

As per the Charter of the Investment Committee, the Directors are required to meet at least 2 times in a given financial year to discharge its responsibilities effectively.

The members of the Investment Committee during the year 2016, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Title	01 Mar	01 Jun	05 Oct	17 Oct
Mr. Abdullateef Khalid Alaujan	Chairman	■	■	■	■
Mr. Marwan Khaled Tabbara	Board Member	■	■	■	■

CORPORATE GOVERNANCE

Code of Conduct and Whistle Blowing Policy

The Board has adopted a formal code of conduct and whistle blowing policies that apply to all Directors and employees of the Company to guide them in their conduct and promote ethical behavior, honesty and integrity in their normal daily activities. The purpose of this is to safeguard and uphold the reputation of the Company at all times. The code of conduct and whistle blowing policies have been developed and implemented are in accordance with the applicable regulations and leading industry practice.

Conflict of Interest

At all times, the Directors have a duty to avoid circumstances which may result in personal or business interests that conflict with those of the Company. Such conflicts need to be disclosed to an approved by the Board (if applicable)

It is the obligation of the Board to assess, determine and authorize any such potential conflicts, taking into account all the relevant circumstances.

This includes potential conflicts that may arise when a Director takes up a position with another company or when the Company enters into transactions or agreements in respect of which a Director or executive officer has a material interest.

Where the existing Director wishes to take up an external appointment, they are under an obligation to inform and obtain prior approval from the Board before doing so.

Each external appointment of any Director is considered by the Board individually, taking into account the expected time commitment related to such relationships.

During the year, no issues of conflict of interest were disclosed to or authorized by the Board and no Director of the Board abstained from voting due to this reason.

Internal Controls

The Board has overall responsibility for ensuring that management maintains an effective system of internal control and for ensuring that its effectiveness is reviewed. A sound system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable and not absolute assurance that a material misstatement or loss will not occur.

There are clear processes for monitoring the system of internal controls and reporting any significant control failures or weaknesses, together with details of corrective action taken.

Management is required to apply judgment in evaluating the risks taken in achieving the company's objectives: in determining the risks that are considered acceptable to take; in assessing the likelihood of the risks materializing; in identifying the ability to reduce the probability and impact on the business of risks that do materialize; and in ensuring that the costs of operating particular controls are proportionate to the benefit.

Throughout the year ended 31 December 2016, and to date, the Company has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all key controls, including financial and operational controls and in compliance with laws and regulations.

Processes are in place for identifying, evaluating and managing significant risks facing the Company.

The Board regularly reviews these processes through its principal Board Committees. The effectiveness of controls is periodically reviewed within the business areas and regular reports are made to the Audit Committee by the Internal Auditor.

CORPORATE GOVERNANCE

Remuneration Policy for Directors

The Company follows a transparent process with regards to the remuneration policy that applies to the Board Directors.

The remuneration for the services rendered in the capacity of Director of the Company is based on the amount approved in the last AGM and recommended by the Board.

Any subsequent revisions to the remuneration will be based on the approval obtained from the shareholders in the next AGM.

The remuneration for Directors is principally based on their attendance at Board meetings, and is reduced on a pro-rata basis depending on the actual attendance of Board meetings during the previous calendar year.

In addition to the above, the Company reimburses the Directors for all direct and indirect expenses, accommodation and travelling expenses, reasonably incurred during their term of their appointment.

Corporate Social Responsibility

Corporate Social Responsibility is a part of the continuing commitment by Al-Matahin to behave in an ethically responsible manner and to contribute to broader economic development whist improving the quality of life of the Company's workforce and their families as well as of the local communities and society at large in the Kingdom of Bahrain.

As a concerned corporate citizen, we have decided to put in place a comprehensive corporate social responsibility programme that provides assistance to various charitable, educational, medical, cultural and sporting organizations and events, as well as deserving causes; and also supports the development of Bahrain's food industry.

List Of Material Transactions Requiring Board Approval

- Wheat purchases
- Capital and non-capital expenditure above BD 10,000
- New Projects
- Bank nominations

Auditors

The Audit Committee reviews the appointment of the external and internal auditors, as well as their relationship with the Company, including monitoring the Company's use of the auditors for non-audit services and the balance between audit and non-audit fees paid to the external and internal auditors.

KPMG Fakhro has been the Company's external auditors since 2014.
Grant Thornton – Abdulaal has been has been the Company's internal auditors since 2008. Having reviewed the independence and effectiveness of the internal auditors, the Audit Committee has not considered it necessary to change the internal auditors.
There are no contractual obligations restricting the Company's choice of internal auditor. The Audit Committee has recommended to the Board that the existing auditors, Grant Thornton, be reappointed.

Key Management Personnel

Mohammed Abdul Wahab Nass
Chief Executive Officer (CEO)

Previous roles / Experience	33 years of experience in various management disciplines and positions with local and international organizations. Joined Bahrain Flour Mills Company in 2010. Held senior management positions in Reuters ME, Arthur Andersen, MoIC, LMRA, Investors Bank and Tourism Affairs.
Qualifications / Achievements	B.Sc. Electrical and Electronics Liverpool Polytechnic – United Kingdom – 1983 Master of Business Administration (MBA) – Kent University – United Kingdom 1993 **Affiliation:** The International Association of Operative Millers (IAOM)

Atif Mohamed Alkhaja
Chief Operating Officer (COO)

Previous roles / Experience	Atif Mohamed Alkhaja joined Bahrain Flour Mills Company in 2013 bringing with him over 29 years of experience in accounting and managerial skill, gained in the GCC region.
Qualifications / Achievements	B.Sc. Business Administration – University of Bahrain 1987

Executive Management Performance-linked incentive structure

Al-Matahin implements a standard Performance Management Scheme that is linked to incentives and competencies on an annual basis for Executive Management and all Staff. Al-Matahin pays monthly salaries, allowances and performance related bonuses for the following job categories that are shown below:

Chief Executive Officer (CEO)

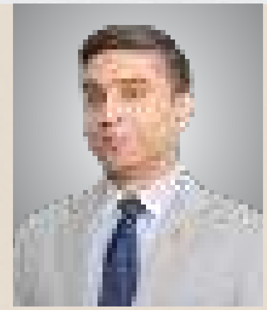
- Basic Salary
- Company Car
- Full Telephone Bill Reimbursement (Business Calls only)
- Annual Performance Bonus decided by Nomination & Remuneration Committee

Chief Operation Officer (COO)

- Basic Salary
- Car Allowance
- Full Telephone Bill Reimbursement (Business Calls only)
- Annual Performance Bonus decided by Nomination & Remuneration Committee

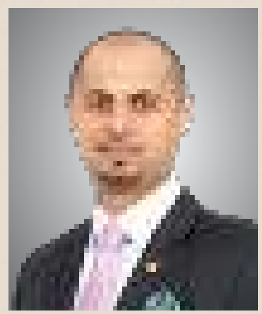
MANAGEMENT

Raed Sabah Salman Alsaloom
Senior Technical Manager



Gaurav Nanda
Senior Procurement Manager

Ahmed Jasim Ali Isa Baqer
Board Secretary & Senior Public Relations Manager



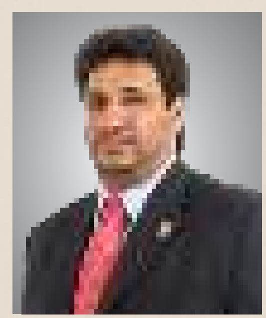
Fahad Abdulaziz Abdulla Alabbasi
Human Resources & Administration Manager

Abdulnasser Abdulmunim Lafta Alrifi
Dispatch Manager

Somasundaram Gnanasekaram
Finance Manager

Sayed Ebrahim Moheiuddin Mohamed A.Jalil
Mill Manager

Abdulaziz Mahmood Abdulkarim Abdulrahman
Packaging Manager



Salahuddin Ebrahim Abdulkarim Almeer
Quality Assurance Manager

Jamal Ebrahim Mohamed Louri
Spare Parts Store Manager

NET PROFIT FOR 2016
BD 803,067

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 2016, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bahrain Flour Mills Company BSC (the "Company") which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss, 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 2016, 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 2016. 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.

INDEPENDENT AUDITOR'S REPORT

Impairment of available-for-sale investments

Refer to Note 6 to the financial statements.

Description	*How the matter was addressed in our audit*
We focused on this matter because: • of the significance of quoted available-for-sale investments (representing 28% of total assets) and its contribution to the company's net profit. • the company makes subjective judgments when assessing investments for impairment.	Our audit procedures included: • testing the design and operating effectiveness of controls over the process of identification and assessment of investments for impairment; • testing the valuation of quoted securities by agreeing the prices used in the valuation to externally quoted prices; • examining whether management has identified all investments that have experienced a decline in fair value below cost; • evaluating whether the Company's application of the significant or prolong test is consistent with the relevant accounting standard; and • assessing the adequacy of the Company's disclosures related to impairment of investments by reference to relevant accounting standards.

Completeness and accuracy of government subsidy

Refer to Note 13 to the financial statements.

Description	*How the matter was addressed in our audit*
We focused on this matter because : 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 54% of total income, and importance of the subsidy to the operations of the Company.	Our audit procedures included: • testing the design and operating effectiveness of controls over the process of recognising and claiming government subsidy; • assessing whether claims made by company are in line with memorandum of understanding agreed with Ministry of Industry, Commerce and Tourism; • agreeing the amount of subsidy received with the amount verified and 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.

Impairment of inventory

Refer to Note 5 to the financial statements.

Description	*How the matter was addressed in our audit*
We focused on this matter because : • the Company has significant inventory and spare parts representing 24% of total assets. • The determination of the level of impairment allowance involves judgment and estimation uncertainty.	Our audit procedures included: • 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; • we challenged the Company's assumptions in calculating the slow moving and obsolete inventories; 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.

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.

INDEPENDENT AUDITOR'S REPORT

Auditors' responsibilities for the audit of the financial statements (continued)

- 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 2016 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.

Report on other regulatory requirements

As required by the Bahrain 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 Bahrain 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.

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

KPMG Fakhro
Partner Registration No. 83
13 February 2017

STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

Bahraini Dinars

	Note	31 December 2016	31 December 2015
ASSETS			
Current assets			
Cash and cash equivalents		3,774,009	2,315,412
Trade and other receivables	4	2,649,374	2,952,731
Inventory	5	5,333,325	6,816,887
Total current assets		**11,756,708**	12,085,030
Non-current assets			
Available-for-sale investments	6	6,275,515	6,654,488
Property, plant and equipment	7	4,660,047	5,281,163
Total non-current assets		**10,935,562**	11,935,651
Total assets		**22,692,270**	24,020,681
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	8	2,467,874	2,930,758
Import finance loans	9	1,679,407	2,482,718
Total current liabilities		**4,147,281**	5,413,476
Non-current liabilities			
Provision for employees' leaving indemnity	10	53,335	83,749
Total liabilities		**4,200,616**	5,497,225
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
Investments fair value reserve		4,779,085	5,097,443
Other reserves		3,463,628	3,463,628
Retained earnings		5,175,439	4,888,883
Total equity (page 11,12)		**18,491,654**	18,523,456
Total equity and liabilities		**22,692,270**	24,020,681

These financial statements, set out on pages 48 to 77, were approved by the Board of Directors on 13 February 2017 and signed on its behalf by:

Mr. Abdullateef Khalid Alaujan
Chairman

Mr. Salah Mohamed Al Kulaib
Vice Chairman

Mohammed Abdul Wahab Nass
Chief Executive Officer

STATEMENT OF PROFIT OR LOSS

as at 31 December 2016

Bahraini Dinars

	Note	2016	2015
Sales		**6,464,990**	5,974,376
Cost of sales	12	(13,191,267)	(15,273,405)
Gross loss before government subsidy		**(6,726,277)**	(9,299,029)
Government subsidy	13	8,189,551	10,435,191
Gross profit		**1,463,274**	1,136,162
Other operating expenses	14	(1,301,718)	(1,176,286)
Profit / (loss) from operations		**161,556**	(40,124)
Investment income	15	577,474	548,777
Other income	16	98,496	95,031
Impairment on available-for-sale investments	6	(34,459)	–
Profit for the year		**803,067**	603,684
Earning per share	17	**32 fils**	24 fils

These financial statements, set out on pages 48 to 77, were approved by the Board of Directors on 13 February 2017 and signed on its behalf by:

Mr. Abdullateef Khalid Alaujan
Chairman

Mr. Salah Mohamed Al Kulaib
Vice Chairman

Mohammed Abdul Wahab Nass
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

Bahraini Dinars

	Note	2016	2015
Profit for the year		**803,067**	603,684
Other comprehensive income:			
Items that are or may subsequently be reclassified to profit or loss:			
Net change in fair value of available-for-sale investments	6	(130,504)	(132,683)
Transferred to profit or loss on sale of available-for-sale investments	15	(187,854)	(180,469)
Total other comprehensive income for the year		**(318,358)**	(313,152)
Total comprehensive income for the year		**484,709**	290,532

These financial statements consist of pages 48 to 77.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Bahraini Dinars

2016	Share capital	Share premium	Reserves: Statutory reserve	Reserves: Investments fair value reserve	Reserves: Other reserves	Retained earnings	Total
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 year	**-**	**-**	**-**	**-**	**-**	**803,067**	**803,067**
Other comprehensive income: Items that are or may subsequently be reclassified to profit or loss:							
Net change in fair value of available-for-sale investments	-	-	-	(130,504)	-	-	(130,504)
Transferred to profit or loss on sale of available-for-sale investments	-	-	-	(187,854)	-	-	(187,854)
Total other comprehensive income for the year	-	-	-	(318,358)	-	-	(318,358)
Total comprehensive income for the year	-	-	-	(318,358)	-	803,067	484,709
Dividend declared for 2015	-	-	-	-	-	(496,511)	(496,511)
Charity contribution	-	-	-	-	-	(20,000)	(20,000)
At 31 December 2016	**2,481,877**	**1,350,000**	**1,241,625**	**4,779,085**	**3,463,628**	**5,175,439**	**18,491,654**

These financial statements consist of pages 48 to 77.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Bahraini Dinars

2015	Share capital	Share premium	Reserves: Statutory reserve	Reserves: Investments fair value reserve	Reserves: Other reserves	Retained earnings	Total
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 year	-	-	-	-	-	603,684	603,684
Other comprehensive income:							
Items that are or may subsequently be reclassified to profit or loss:							
Net change in fair value of available-for-sale investments	-	-	-	(132,683)	-	-	(132,683)
Transferred to profit or loss on sale of available-for-sale investments	-	-	-	(180,469)	-	-	(180,469)
Total other comprehensive income for the year	-	-	-	(313,152)	-	-	(313,152)
Total comprehensive income for the year	-	-	-	(313,152)	-	603,684	290,532
Dividend declared for 2014	-	-	-	-	-	(496,650)	(496,650)
Charity contribution	-	-	-	-	-	(20,000)	(20,000)
At 31 December 2015	2,481,877	1,350,000	1,241,625	5,097,443	3,463,628	4,888,883	18,523,456

These financial statements consist of pages 48 to 77.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 | Bahraini Dinars

	2016	2015
OPERATING ACTIVITIES		
Profit for the year	**803,067**	603,684
Adjustments for:		
Depreciation	699,237	737,751
Loss / (profit) from sale of property, plant and equipment	1,907	(1,994)
Impairment loss on available-for-sale investments	34,459	-
Profit on sale of available-for-sale investments	(187,854)	(180,469)
Changes in operating assets and liabilities:		
Inventories	1,483,562	(749,632)
Trade and other receivables	303,357	310,882
Trade and other payables	(532,229)	162,904
Employees' leaving indemnity, net	(30,414)	19,902
Net cash from operating activities	**2,575,092**	903,028
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(83,828)	(68,362)
Proceeds from sale of available-for-sale investments	214,010	431,627
Proceeds from sale of property, plant and equipment	3,800	7,000
Net cash from investing activities	**133,982**	370,265
FINANCING ACTIVITIES		
Import finance loans obtained	9,776,585	13,044,135
Repayment of import finance loans	(10,579,896)	(14,173,854)
Dividends paid	(447,166)	(506,166)
Net cash used in financing activities	**(1,250,477)**	(1,635,885)
Net increase / (decrease) in cash and cash equivalents during the year	**1,458,597**	(362,592)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,315,412	2,678,004
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**3,774,009**	2,315,412
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash on hand	1,790	1,124
Bank balances	3,772,219	2,314,288
	3,774,009	2,315,412

These financial statements consist of pages 48 to 77.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016 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 its commercial operations on 1 May 1972. The Company's shares are listed on Bahrain Bourse.

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

The registered office of the Company is in the Kingdom of Bahrain.

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 available-for-sale investments which are stated at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

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:

Judgments

Classification of investments
Upon acquisition of an investment, management decides whether it should be classified as investments carried at fair value through profit and loss, investments at amortised cost, held to maturity or available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Bahraini Dinars

2 BASIS OF PREPARATION (continued)

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.

Impairment of available-for-sale investments

The Company determines that available-for-sale equity securities and managed funds at fair value are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. A 20% or more is used as a reasonable measure for significant decline below cost, irrespective of the duration of the decline. Prolonged decline represents decline below cost that last for more than one year irrespective of the amount. Where fair values are not available, the recoverable amount of such investment is estimated to determine impairment. In making this judgement, the management evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment of trade receivables

The Company establishes provision for impairment of accounts receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired.

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.

d) New standards, amendments and interpretations effective from 1 January 2016

The following standards, amendments and interpretations, which became effective as of 1 January 2016, are relevant to the Company.

(i) Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The adoption of these amendments had no significant impact on the financial statements of the Company.

2 BASIS OF PREPARATION (continued)

d) New standards, amendments and interpretations effective from 1 January 2016 (continued)

(ii) Annual improvements to IFRSs 2012-2014 cycle – various standards
The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The adoption of these amendments had no significant impact on the financial statements of the Company.

The following are the key amendments in brief:

- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

(iii) Disclosure Initiative (amendments to IAS 1).
The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The adoption of this amendment had no significant impact on the financial statements.

2 BASIS OF PREPARATION (continued)

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 2016 and earlier application is permitted; however; the Company has not early applied the following new or amended standards in preparing these financial statements.

(i) Disclosure Initiative (amendments to IAS 7)
The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The Company has not early adopted Disclosure Initiative (amendments to IAS 7) in its financial statements for the year ended 31 December 2016.

(ii) IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is currently performing an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements.

(iii) IFRS 9 Financial Instruments
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Company's financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

2 BASIS OF PREPARATION (continued)

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

(iv) 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. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Company does not expect to have a significant impact on its financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. The accounting policies are consistent with those of the previous year.

a) 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
Sales is recognised when risks and rewards of ownership have passed to the customers and the amount of revenue can be measured reliably. Sales of flour products is recognized upon delivery of goods to customers.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Government subsidy

Government subsidy represents the amounts received from the Government of the Kingdom of Bahrain through Ministry of Finance, 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 in the period in which the sales are made to customers.

c) 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.

d) 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. Translation differences for non-monetary items, such as equities classified as available-for-sale investments, are included in a fair value reserve in equity.

e) Operating leases contracts

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

f) Available-for-sale Investments

Classification
Available-for-sale investments are non-derivative investments that are designated as available-for-sale or that are not classified as another category of financial assets. Available-for-sale investments comprise investments in certain quoted and unquoted equity securities, and managed funds.

Recognition and Measurement
Available-for-sale investments are initially recognised at fair value, including transaction costs and subsequently re-measured to fair value using the closing bid prices. Unrealised gains and losses arising from changes in the fair values of available-for-sale investments are recognised in other comprehensive income. In the event of sale, disposal, collection or impairment, the cumulative gains and losses recognised previously in other comprehensive income are transferred to profit or loss. Purchases and sales of available-for-sale investments are accounted for on the trade date. Available-for-sale investments where there is no quoted market price or other appropriate methods from which to derive reliable fair values, are carried at cost less impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Available-for-sale Investments (continued)

Fair Value

The fair value of quoted equity securities classified as available-for-sale investments is their quoted bid price at the reporting date. Investments in managed funds are valued at net asset values provided by the Investment Manager.

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity Investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment. If such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in equity is removed and recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

g) Trade receivables

Trade receivables are initially measured at fair value and subsequently carried at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. A provision is made when the carrying amount of the asset exceeds the present value of the estimated future cash flows, discounted at the effective interest rate. This assessment is carried out for each customer.

h) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, plant and equipment (continued)

(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

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.

i) 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.

j) Dividends

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

k) 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.

l) De-recognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) 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.

(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.

n) 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.

o) Trade and other payables

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

p) 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 over the period of the borrowings.

q) Board members' remuneration

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

r) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

s) 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. 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.

4 TRADE AND OTHER RECEIVABLES

	31 December 2016	31 December 2015
Gross receivables	2,650,143	2,963,946
Less: Provision for impairment	(769)	(11,215)
	2,649,374	2,952,731

The movement on provision for impairment is as follows:

	31 December 2016	31 December 2015
At 1 January	11,215	9,869
Charge for the year	-	1,346
Write off during the year	(10,446)	-
At 31 December	**769**	11,215

5 INVENTORIES

	31 December 2016	31 December 2015
Wheat in silos	2,156,225	3,283,922
Wheat in transit	1,894,592	2,468,471
Finished goods	558,375	359,950
Packing materials	125,798	147,448
Spare parts and consumables	894,627	860,593
	5,629,617	7,120,384
Less: provision for obsolete and slow moving inventories	(296,292)	(303,497)
	5,333,325	6,816,887

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

	31 December 2016	31 December 2015
At 1 January	303,497	273,519
Charge for the year	-	29,978
Released during the year	(7,205)	-
At 31 December	**296,292**	303,497

6 AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2016	31 December 2015
Quoted equity securities - at fair value	5,793,779	6,162,317
Unquoted equity securities - at cost less impairment	40,541	75,000
Managed funds - at fair value	441,195	417,171
	6,275,515	6,654,488
Movement:		
At 1 January	6,654,488	7,218,798
Sale of investments	(214,010)	(431,627)
Net change in fair value	(130,504)	(132,683)
Impairment loss	(34,459)	-
At 31 December	**6,275,515**	6,654,488

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant Machinery and capital spares	Motor vehicles	Furniture and office equipment	Capital Work-in-progress	2016 Total	2015 Total
Cost							
At beginning of year	8,670,436	7,650,861	191,941	717,477	108,381	17,339,096	17,289,534
Additions	24,326	24,849	-	33,671	982	83,828	68,362
Disposals	(4,800)	(35,371)	(55,893)	(1,723)	-	(97,787)	(18,800)
Transfers	-	102,321	-	-	(102,321)	-	-
At 31 December	**8,689,962**	**7,742,660**	**136,048**	**749,425**	**7,042**	**17,325,137**	**17,339,096**
Depreciation							
At beginning of year	5,412,892	5,816,979	139,233	688,829	-	12,057,933	11,333,976
Charge for the year:							
- Cost of sales	286,440	377,661	4,461	4,107	-	672,669	716,092
- Others	6,598	1,250	4,588	14,132	-	26,568	21,659
Disposals	(2,141)	(33,813)	(54,403)	(1,723)	-	(92,080)	(13,794)
At 31 December	**5,703,789**	**6,162,077**	**93,879**	**705,345**	**-**	**12,665,090**	**12,057,933**
Net carrying value at 31 December 2016	**2,986,173**	**1,580,583**	**42,169**	**44,080**	**7,042**	**4,660,047**	**5,281,163**
At 31 December 2015	3,257,544	1,833,882	52,708	28,648	108,381	**5,281,163**	

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

8 TRADE AND OTHER PAYABLES

	31 December 2016	31 December 2015
Trade payables	1,961,057	2,490,550
Dividends payable	237,461	188,116
Accrued expenses and other payables	230,979	223,555
Advance from customers	38,377	28,537
	2,467,874	2,930,758

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 is as follows:

Balance at 1 January 2016	Loans received	Loans repaid	Balance at 31 December 2016
2,482,718	9,776,585	(10,579,896)	**1,679,407**

10 PROVISION FOR EMPLOYEES' LEAVING INDEMNITY

The Company's contributions in respect of non-Bahraini employees and two Bahraini staff as per Bahrain Labour Law for 2016 amounted to BD 53,335 (2015: BD 83,749).

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

	2016	2015
Provision at beginning of year	83,749	63,847
Charge during the year	28,041	19,902
Paid during the year	(58,455)	-
At 31 December	**53,335**	83,749

11 SHARE CAPITAL

	31 December 2016	31 December 2015
Authorised: 100 million shares		
Issued and fully paid: 24,832,500 shares of 100 fils each	2,483,250	2,483,250
6,930 treasury shares (2015: 6,930 shares)	(1,373)	(1,373)
Net shares in public issue	**2,481,877**	2,481,877

11 SHARE CAPITAL (continued)

	31 December 2016	31 December 2015
Performance per share		
Earnings per 100 fils share	32 fils	24 fils
Net asset value per 100 fils share	1,000 fils	747 fils
Stock Exchange price per 100 fils per share at 31 December	386 fils	390 fils
Stock Exchange price to earnings ratio	12:1	16:1
Total market capitalisation at 31 December (BD)	9,585,345	9,684,675

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 2016:

	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	1,732,500	6.98
Abdulhameed Zainal Mohammed	Bahraini	1,454,339	5.86

(ii) The Company has only one class of equity share 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%	5,041,302	1,697	20.30%
1% up to less than 5%	281,553	1	1.13%
5% up to less than 10%	3,186,839	2	12.83%
10% up to less than 20%	-	-	-
20% up to less than 50%	-	-	-
50% and above	16,322,806	1	65.73%
	24,832,500	**1,701**	**100%**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016 Bahraini Dinars

12 COST OF SALES

	2016	2015
Raw materials	11,053,301	12,832,887
Staff cost	735,064	864,128
Depreciation	672,669	716,092
Packing materials	246,736	263,428
Maintenance, repairs and utilities	278,463	283,042
Others	205,034	313,828
	13,191,267	15,273,405

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 (2015: 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:

	2016	2015
Actual cost of wheat purchased and used	11,046,444	12,832,887
Plus: BD 31 per ton of wheat products sold locally	3,635,661	3,614,546
	14,682,105	16,447,433
Less: Gross sales subject to subsidy	(6,492,554)	(6,012,242)
	8,189,551	10,435,191

Quantity sold during the year was 117,279 tons (2015: 116,598 tons).

14 OTHER OPERATING EXPENSES

	2016	2015
Staff cost	837,809	742,994
General and administrative expenses	215,373	215,984
Depreciation	26,568	21,659
Board of directors remunerations*	34,077	53,342
Professional fees	58,900	67,400
Other	128,991	74,907
	1,301,718	1,176,286

*As per the approval of Annual General Meeting held on 22 March 2016, only BD 16,000 was paid from 2015 provision and the remaining balance of BD 37,342 was released to statement of profit or loss under other income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016 Bahraini Dinars

15 INVESTMENT INCOME

	2016	2015
Dividends income	389,620	368,308
Profit on sale of available-for-sale investments	187,854	180,469
	577,474	548,777

16 OTHER INCOME

	2016	2015
Delivery income	10,463	7,972
Income from shipments claims	17,301	41,625
Service income	9,192	16,686
Bank interest	22,534	5,367
Others	39,006	23,381
	98,496	95,031

17 EARNING 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 2016 as follows:

	2016	2015
Profit for the year	803,067	603,684
Weighted average number of equity shares in issue	24,825,570	24,825,570
Basic earnings per share	32 fils	24 fils

Diluted earnings per share have not been presented as the Company has no instruments convertible into ordinary shares that would dilute earnings per share.

18 OPERATING LEASES COMMITMENTS

The Company has entered into operating leases on land and buildings with leases terms between one and twenty five years. The future minimum rental payments under operating leases as at 31 December as follows:

	2016	2015
Less than one year	54,972	67,932
Between one and five years	123,525	173,448
More than five years	115,710	171,732
	294,207	413,112

19 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.

20 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 and from related parties

	31 December 2016		31 December 2015	
	Receivables	Sales	Receivables	Sales
Common controlled entities	–	-	-	20,000
Total	-	-	-	20,000

20 RELATED PARTY TRANSACTIONS (continued)

b) Transactions with key management personnel

Key management personnel of the Company comprises of the Board of Directors, the Chief Executive Officer 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:

	2016	2015
Directors' remunerations provision *	34,077	53,342
Other Board of Directors expenses	79,875	44,260
Salaries and other benefits	208,056	172,995
Total compensation	**322,008**	270,597

* As per the approval of Annual General Meeting held on 22 March 2016, only BD 16,000 was paid from 2015 provision and the remaining balance of BD 37,342 was released to statement of profit or loss under other income.

21 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 available-for-sale investments.

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.

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

a) Risk management (continued)

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.

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

	2016	2015
Bank balances	3,772,219	2,314,288
Trade and other receivables	2,608,730	2,927,004
	6,380,949	5,241,292

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

	2016	2015
Government	2,196,951	2,639,822
Non-government	411,779	287,182
	2,608,730	2,927,004

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

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

a) Risk management (continued)

The ageing of receivables at the reporting date was:

	2016		2015	
	Gross	**Impairment**	Gross	Impairment
Neither past due nor impaired	1,013,293	-	982,372	-
Past due not impaired:				
Past due 1-30 days	720,382	-	882,862	-
Past due 31-90 days	700,622	-	862,763	-
Past due 91-120 days	131,428	-	181,215	-
Over 120 days	43,005	-	17,792	-
Past due and impaired:				
Over 120 days	769	769	11,215	11,215
	2,609,499	**769**	2,938,219	11,215

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.

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**
31 December 2016						
Trade and other payables	2,230,413	2,225,865	4,548	-	-	-
Import finance loans	1,679,407	1,679,407	-	-	-	-
Dividend payable	237,461	237,461	-	-	-	-
	4,147,281	**4,142,733**	**4,548**	**-**	**-**	**-**

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

a) Risk management (continued)

	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
31 December 2015						
Trade and other payables	2,742,642	2,729,684	12,958	-	-	-
Import finance loans	2,482,718	2,090,215	392,503	-	-	-
Dividend payable	188,116	188,116	-	-	-	-
	5,413,476	5,008,015	405,461	-	-	-

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 available-for-sale 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.

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

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:

2016	**Loans and receivables**	**Available-for-sale**	**Others at amortised cost**	**Total carrying amount**	**Fair value**
Cash and bank balances	3,774,009	-	-	3,774,009	3,774,009
Trade and other receivables	2,608,730	-	-	2,608,730	2,608,730
Available-for-sale investments	-	6,275,515	-	6,275,515	6,275,515
	6,382,739	**6,275,515**	**-**	**12,658,254**	**12,658,254**
Trade and other payables	-	-	2,230,413	2,230,413	2,230,413
Import finance loans	-	-	1,679,407	1,679,407	1,679,407
Dividend payable	-	-	237,461	237,461	237,461
	-	**-**	**4,147,281**	**4,147,281**	**4,147,281**

2015	Loans and receivables	Available-for-sale	Others at amortised cost	Total carrying amount	Fair value
Cash and bank balances	2,314,288	-	-	2,314,288	2,314,288
Trade and other receivables	2,927,004	-	-	2,927,004	2,927,004
Available-for-sale investments	-	6,654,488	-	6,654,488	6,654,488
	5,241,292	6,654,488	-	11,895,780	11,895,780
Trade and other payables	-	-	2,742,642	2,742,642	2,742,642
Import finance loans	-	-	2,482,718	2,482,718	2,482,718
Dividend payable	-	-	188,116	188,116	188,116
	-	-	5,413,476	5,413,476	5,413,476

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

b) Classification and fair values of financial instruments (continued)

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.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Other than certain available-for-sale investments carried at cost less impairment of BD 40,541 (2015: BD 75,000), the estimated fair values of the Company's other financial instruments are not significantly different from their carrying value.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, 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 where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data. The table below analyses financial assets and liabilities carried at fair value, by valuation method.

At 31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments:				
Quoted equity securities	5,793,779	-	-	5,793,779
Managed funds	-	441,195	-	441,195
	5,793,779	**441,195**	**-**	**6,234,974**

At 31 December 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

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.

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

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.

22 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.

	2016	2015
Cash dividends 20 fils per share (2015: 20 fils per share)	496,511	496,650
Charity contribution	20,000	20,000
Retained earnings	5,496,072	4,372,233

The board also recommends paying BD 34,077 (2015: BD 53,342) as board remuneration.

23 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.