

# AL-MATAHIN

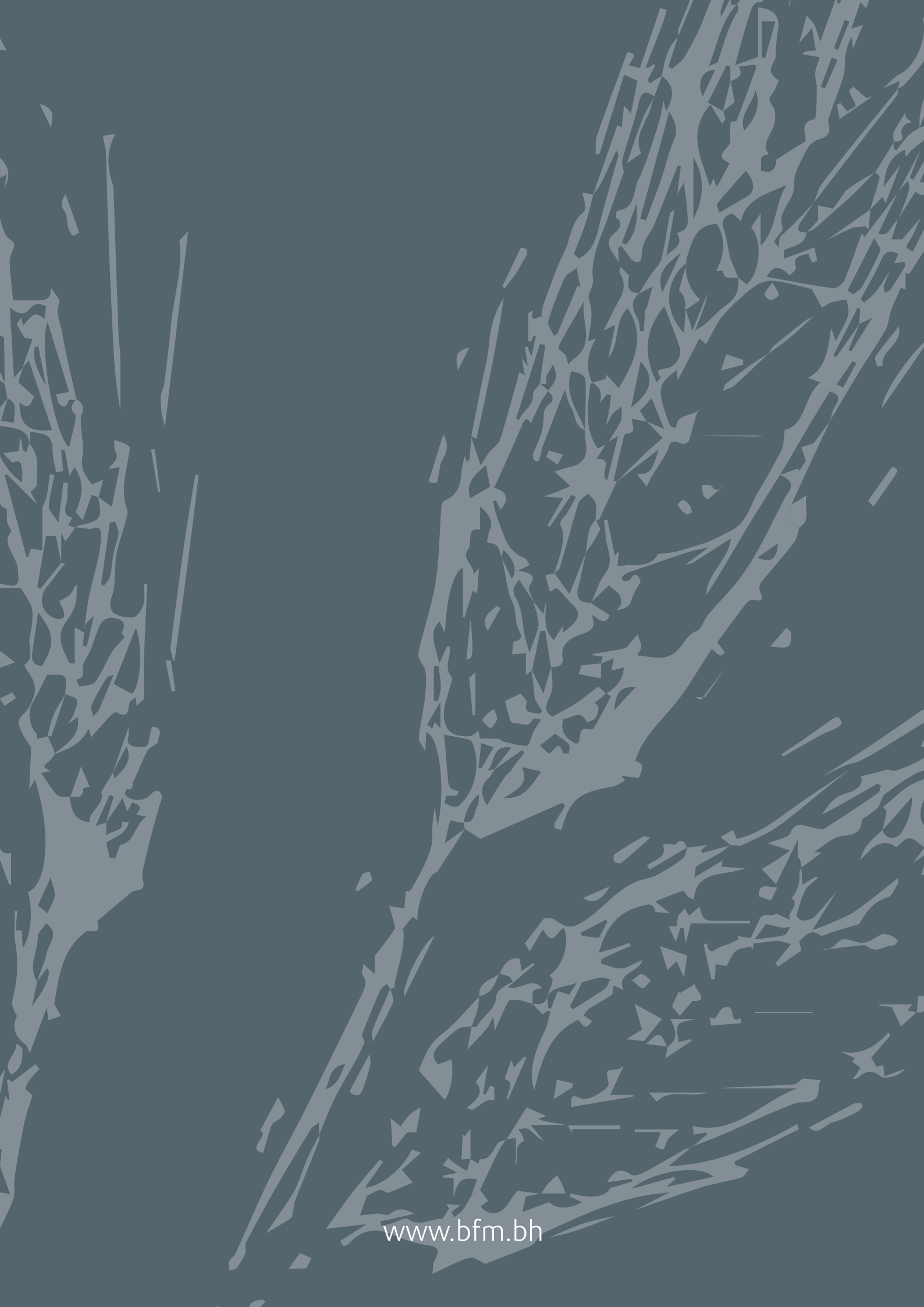
ANNUAL REPORT



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Prosperous Future.**

**2022**  
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His Royal Highness  
Prince Salman bin Hamad  
Al Khalifa  
The Crown Prince,  
Deputy Supreme Commander  
and Prime Minister  
of the Kingdom of Bahrain



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





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# GENERAL INFORMATION

Commercial registration 1170 (Bahrain Joint Stock Company)

## Board of Directors

Mr. Marwan Khaled Tabbara - Chairman  
Mr. Salah Mohamed Al Kulaib - Vice chairman  
Mr. Ayman A. Hameed Zainal  
Mr. Eyad Redha Faraj  
Mr. Khalid Abdulaziz Abdulla Aljassim  
Ms. Raghdan Saleh Qasim Abdulrasool  
Mr. Basel Nael Jawad Mohamed Ghali  
Mr. Ahmad Mazhar Mazhar Ul Haq

## Audit, compliance and risk committee

Mr. Khalid Abdulaziz Abdulla Aljassim - Chairman  
Mr. Eyad Redha Faraj - Vice chairman  
Mr. Ayman A. Hameed Zainal  
Ms. Raghdan Saleh Qasim Abdulrasool

## Nomination and remuneration committee

Mr. Marwan Khaled Tabbara - Chairman  
Mr. Khalid Abdulaziz Abdulla Aljassim  
Mr. Eyad Redha Faraj  
Mr. Ahmad Mazhar Mazhar Ul Haq

## Purchasing and projects committee

Mr. Salah Mohamed Al Kulaib - Chairman  
Mr. Eyad Redha Faraj - Vice Chairman  
Ms. Raghdan Saleh Qasim Abdulrasool  
Mr. Basel Nael Jawad Mohamed Ghali

## Subsidy committee

Mr. Marwan Khaled Tabbara - Chairman  
Mr. Khalid Abdulaziz Abdulla Aljassim  
Ms. Raghdan Saleh Qasim Abdulrasool  
Mr. Ahmad Mazhar Mazhar Ul Haq

## Chief Executive Officer

Mr. Wayne Henry Craig

## Office and plant

Building No. 1773, Road No. 4236, Block No. 342  
P.O. Box 26787 Mina Salman, Manama, Kingdom of Bahrain  
Telephone: 17729984, Fax 17729312  
E-Mail: info@bfm.bh

## Bankers

Bank of Bahrain and Kuwait BSC  
Ahli United Bank BSC  
National Bank of Bahrain BSC  
Arab Bank  
National Bank of Kuwait

## Auditors

KPMG Fakhro

## Shares registrar

Bahrain Clear B.S.C (closed)





## MISSION

Uphold product excellence to satisfy the bakers' needs in the local market

## VISION

To become the prime provider of bakeries requirements in the Kingdom of Bahrain

## VALUES

- Quality • Performance • Trust • Long-term relationships



# BOARD OF DIRECTOR'S REPORT

Dear Shareholders,

On behalf of the Board of Directors of Bahrain Flour Mills Company B.S.C. (Al-Matahin), I am pleased to present to you the annual report for the fiscal year ended 31 December 2022.

## Company Performance:

Due to high demand on Company's products, the Company increased its sales volume by 7% driving to increase in sales value by 11%, and the Company is continuing the expansion plan of the mill to increase the production capacity by using the latest technology in the manufacture of flour products which is expected to be completed by 2023 year end.

Overall, Al-Matahin achieved a net profit for the year amounting to BD 1,422,601. In line with the results achieved, the Board of Directors has made the following recommendations to the shareholders for the year ended 31 December 2022:

- Distribute cash dividends to shareholders at the rate of 25 fils per share (or 25% of the paid-up capital) totaling BD 620,639.
- Allocate an amount of BD 60,000 as a remuneration for the members of the Board of Directors.
- Allocate an amount of BD 25,000 for charitable works.
- Transfer an amount of BD 776,962 to the Retained Earnings Account.



Mr. Marwan Khaled Tabbara  
Chairman

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"Al-Matahin are as determined as ever to continue developing and expanding the company's activities and ensuring that we are well placed to serve Bahrain's flour requirements for years to come."

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## Company Directions and Future Plans:

As we move into a new year the Board of Directors and the Executive Management at Al-Matahin are as determined as ever to continue developing and expanding the company's activities and ensuring that we are well placed to serve Bahrain's flour requirements for years to come. We also remain committed to adhering to the highest standards in governance, the implementation of control policies and internal systems, and the application of quality across the company's health and safety systems. The collective aim of which is to ensure the preservation of the company's leading market position and the fulfilment of its commitment to maintaining ample flour supply for our beloved Kingdom. The company also remains committed to implementing its plans to modernize its manufacturing facility.

## Social Responsibility:

Our social priorities are focused on supporting the community that we are a part of. As such, and in-line with our strong sense of social responsibility, we collaborated with the Royal Humanitarian Foundation (RHF) to distribute 8,000 Ramadan baskets to needy families during the holy month of Ramadan. In addition, Al-Matahin expressed its pride in the care, support, and services provided by the Alia Center for Early Intervention (ALIA) for people with special needs between the ages of 5 and 20 years, with a special focus on autistic youth. In support of ALIA, the company participated in the center's celebration on the occasion of Bahrain National Day by distributing symbolic gifts to the center's students during the ceremony, wishing them every success.

## Thanks and Gratitude:

On behalf of myself and the Board of Directors and the Shareholders, I would like to express our greatest and most sincere appreciation to His Majesty King Hamad bin Isa Al Khalifa, The King of the Kingdom of Bahrain, and His Royal Highness Prince Salman bin Hamad Al Khalifa, The Crown Prince, Deputy Supreme Commander and Prime Minister for their tremendous leadership, wisdom, and support.

We also would like to extend our thanks to the Ministers, agents, managers, and heads of departments in the Ministries and Government organizations of the Kingdom for their wise guidance, cooperation, and continuous support.



# BOARD OF DIRECTOR'S REPORT

We also assure you that the company's success is not possible without the hard work and dedication of its management and staff, and extend our many thanks, appreciation, and gratitude to the management of the company and all its employees for their dedication and hard work which has led to these achievements and assured the best possible results for 2022. We are fortunate to have such a committed and outstanding team and we are confident that this organization will continue to achieve success in the future.

As part of the Company's obligation to maintain utmost transparency with our valued shareholders, we are pleased to present the table below that shows the remuneration of members of the Board of Directors and the Executive Management for the year ended 31 December 2022:

Name (BHD)	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1- Marwan Khalid Tabbara	15,186	10,200	-	-	25,386	-	-	-	-	-	-	25,386	-
2- Salah Mohammed Al Kulaib	8,518	11,700	-	-	20,218	-	-	-	-	-	-	20,218	-
3- Ayman Abdulhameed Zainal	8,518	5,500	-	-	14,018	-	-	-	-	-	-	14,018	-
4- Khalid Abdulaziz Aljassim	8,518	12,700	-	-	21,218	-	-	-	-	-	-	21,218	-
5- Eyad Redha Faraj	8,518	15,600	-	-	24,118	-	-	-	-	-	-	24,118	-
6- Raghdan Saleh Qassim	8,518	17,500	-	-	26,018	-	-	-	-	-	-	26,018	-
Second: Non-Executive Directors:													
1- Basil Ghali	1,112	2,000	-	-	3,112	-	-	-	-	-	-	3,112	-
2- Ahmad Mazhar	1,112	2,500	-	-	3,612	-	-	-	-	-	-	3,612	-
Second: Non-Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	60,000	77,700	-	-	137,700	-	-	-	-	-	-	137,700	-

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	327,940	31,268	13,040	372,248

Other remunerations:

\* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

\*\* It includes the board member's share of the profits - Granted shares (insert the value) (if any).

Notes:

1. Disclosure is for the top 6 executives who are employees of the entity as on the reporting date.

With the Grace of God,



**Marwan Khaled Tabbara**  
Chairman  
22 February 2022



**Salah Mohammed Al Kulaib**  
Vice chairman  
22 February 2022



2022

CORPORATE GOVERNANCE REPORT

# CORPORATE GOVERNANCE

This report outlines the Bahrain Flour Mills Company B.S.C. adherence to the Principles of the Corporate Governance Code ("**Governance Code**") as issued by the Bahrain Ministry of Industry and Commerce, and the Central Bank of Bahrain's Rulebook Volume 6 High Level Controls Module ("**CBB Module HC**"), as well as the Company's Corporate Governance Guidelines.

## 1. 1-Description of the actions taken to complete the Corporate Governance Code during the year 2022 and how they were applied.

Bahrain Flour Mills Company B.S.C. ('BFM') is adhering to adopting and applying the highest standards related to corporate governance, whereby the Company's Corporate Governance Guidelines including the charters of the Board of Directors and its committees are periodically reviewed and updated in accordance with the requirements of:

- Corporate Governance Code issued by the Ministry of Industry and Commerce under Resolution No. (19) of 2018 dated March 19, 2018.
- Resolution No. (91) of 2022 concerning the amendments to certain provisions of the Corporate Governance Code Issued by Resolution No. (19) of 2018; and
- High Level Controls Module of the Central Bank of Bahrain ('CBB') Rulebook, Volume 6.

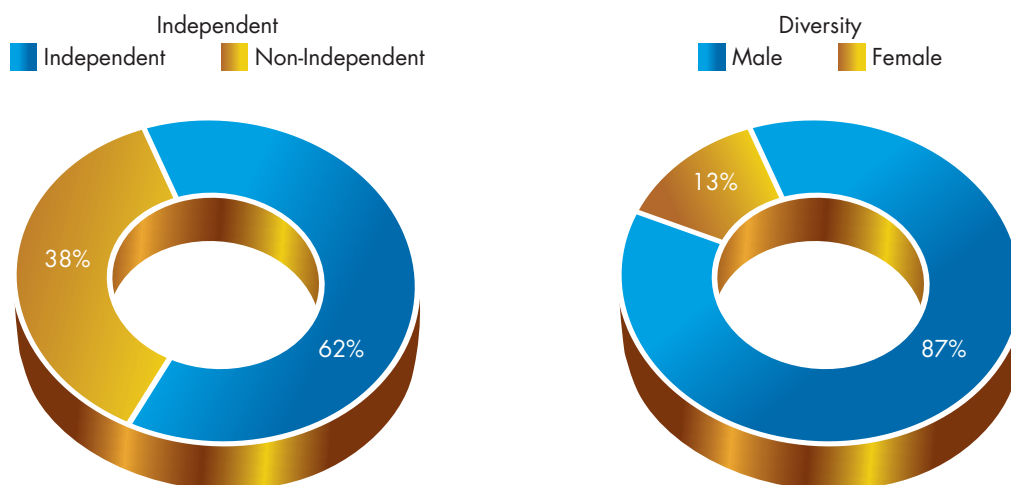
## 2. Description of the transactions of the directors, their spouses and sons on the Company's shares during the year 2022 according to the following table:

There were no transactions related to the Board of Directors of the Company, their spouses and or sons on the Company's shares during 2022.

## 3. Composition of the Board:

### a. Description of the current Board composition:

Article 24 of the Articles of Association of the Company states that the company shall be administered by a Board of Directors consisting of no less than 5 and no more than 15 members. As of 31 December 2022, the total number of Directors appointed / Elected to BFM's Board of Directors was 8:



\* All Directors are Non-Executive Directors



## b. Board's Duties and Responsibilities:

The functions of the Board are those established by the Corporate Governance Code 2018, and the amendments made thereafter, and the Commercial Companies' Law of the Kingdom of Bahrain as well as the Memorandum and Articles of Association of the Company (the "Articles").

- overseeing the Company's performance, strategy and business plan
- ensuring that financial statements are prepared which accurately disclose the Company's financial position
- setting up a mechanism to regulate transactions with related parties in order to minimize conflicts of interest and prevent abusive related party transactions
- selecting, monitoring and, when necessary, replacing key executives and overseeing succession planning
- aligning key Executive and Directors remuneration with the longer-term interests of the Company and the Shareholders
- ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards
- assuring equitable treatment of shareholders, including minority shareholders
- adopting the financial and operational policies associated with the Company's business performance and achievement of its objectives
- drawing, overseeing and periodically reviewing the Company's plans, policies, strategies, and key objectives
- determining the Company's optimal capital structure, strategies and financial objectives and approving annual budgets
- Reviewing and approving the Authority Matrix and Delegation of Authority Limits.

## c. Types of Materials transactions Requiring Board's Approvals

The Delegation of Authority Levels (DAL) summarizes areas relating to strategies, long-term commitments, and policies where approval of the Board is necessary.



### Mr. Marwan Khaled Tabbara

Non - Executive / Independent Since 2014

- Chairman of the Board of Directors
- Chairman of the Nomination, Remuneration and Governance Committee
- Chairman of the Subsidy and Commercialization Committee

### Experience

- Represents over 20-years of experience in strategic, financial, and transaction advisory.
- Currently the Managing Partner of Stratum, a Bahrain based advisory boutique.
- Previously worked in the Global Corporate & Investment Banking division of Citigroup in New York, London, and Bahrain where he supported large private and public sector clients on financing transactions within the Middle East and internationally.

### Qualifications

- Master of Engineering Management from Duke University, USA.
- Bachelor of Science in Electrical Engineering and Economics from Duke University, USA.

### Directorships and positions in other companies

- Managing Partner – Stratum
- Board Member and Risk Committee Chairman – Bahrain Islamic Bank
- Ex-Vice Chairman – Bahrain Bourse
- Ex-Board Member and Risk Committee Chairman – Bahrain Development Bank

**Mr. Salah Mohamed Mushari Al Kulaib**

Non - Executive / Independent Since 2015

- Vice-Chairman of the Board of Directors
- Chairman of the Purchasing and Projects Committee

**Experience**

- More than 40 years of experience in Mechanical Engineering and Boards.

**Qualifications**

- Bachelor of Mechanical Engineering

**Directorships and positions in other companies**

- Ex-Chairman - Kuwait Flour Mills and Bakeries Company
- Vice Chairman - Industrial Bank of Kuwait
- Chairman – Kuwait Supply Company

**Mr. Khalid Abdulaziz Abdulla Aljassim**

Non - Executive / Independent Since 2020

- Member of the Board of Directors
- Chairman of the Audit, Compliance and Risk Committee
- Vice-Chairman of the Nomination, Remuneration and Governance Committee
- Member of the Subsidy and Commercialization Committee

**Experience**

- Professional career commenced as Head of Marketing of National Chemical Industries Corporation.
- Joined Arthur Andersen, Bahrain, in the consultancy division as head of high-profile engagements.
- In 1998, joined Arcapita and promoted to the Executive Directorship title in less than four years.
- In 2013, formed Ark Proventus company and Afkar Holding company.

**Qualifications**

- Executive MBA from Pepperdine University, California.
- Bachelor of Applied Science with a double major in Computer Science & Mathematics, California State University, Long Beach, USA

**Directorships and positions in other companies**

- Board Member & Audit Committee Chairman - Bahrain Islamic Bank
- Board Member – SICO
- Chairman - Afkar Vision WLL
- Former Member of the Management Investment Committee, Management Administration Committee, and Head of Placement MENA Region – Arcapita

**Mr. Eyad Redha Faraj**

Non - Executive / Independent Since 2020

- Member of the Board of Directors
- Vice-Chairman of the Audit, Compliance and Risk Committee
- Vice-Chairman of the Purchasing and Projects Committee
- Member of the Nomination, Remuneration and Governance Committee

**Experience**

- Partner – Head of MENA Investor Support / Head of Bahrain Office - Roland Berger Middle East Bahrain
- Worked as Director of Investments and Structured Finance in SAYACORP B.S.C (c)
- Previously worked as MENA Equities Analyst - Executive Director in Goldman Sachs International
- Served as Equity Analyst at Bank of America Merrill Lynch
- Joined Gulf International Bank in 2004 as Credit Analyst and promoted to Relationship Manager
- Worked in Altus Pharmaceuticals as accountant and business development executive

**Qualifications**

- INSEAD MBA Class of December 2008
- Bachelor of Science in Accounting, Bentley University, USA

**Directorships and positions in other companies**

- Partner – Head of MENA Investor Support / Head of Bahrain Office - Roland Berger Middle East Bahrain
- Board lead on governance and strategic growth objectives for global pasta exporter, Turkey

**Mr. Ayman Abdulhameed Zainal**

Non - Executive / Independent Since 2017

- Member of the Board of Directors
- Member of the Audit, Compliance and Risk Committee

**Experience**

- Chief Commercial Officer - Bahrain Airport Company from 2017 to Present.
- More than 23 years of experience in the managerial and financial fields in the GCC
- Chief Executive Officer - Real Capita from 2012 to 2015
- Acting Head of Finance and Admin, Advisor to CEO - Bahrain Chamber for Dispute Resolution from 2011 to 2012, Bahrain
- Board Member of Oman Development Company from 2005 to 2007, Oman
- Chairman of Al Batinah Development & Investment Holding from 2004 to 2007, Oman
- Computer Engineer - BAE SYSTEMS from 1996 to 2000, USA

**Qualifications**

- Master of Business Administration, Webster University, College of Business, Orlando, USA
- Bachelor's Degree in Computer Science, University of South Florida, College of Engineering, USA

**Directorships and positions in other companies**

- Chief Commercial Officer - Bahrain Airport Company from 2017 to Present.



**Ms. Raghdan Saleh Qasim Abdurassool**

Non - Executive / Independent Since 2020

- Member of the Board of Directors
- Member of the Audit, Compliance and Risk Committee
- Member of the Subsidy and Commercialization Committee
- Member of the Purchasing and Projects Committee

**Experience**

- Currently serving as the Director of Public Revenues Policy at the Ministry of Finance and National Economy, Kingdom of Bahrain
- More than 11-years of experience in public finance, management, policy making and procedural frameworks.

**Qualifications**

- Master's in Public Management at Aix-Marseille in cooperation with the University of Bahrain and Bahrain Institute of Public Administration
- Bachelor of Science in Accounting and Finance at Ahlia University

**Directorships and positions in other companies**

- Director of Public Revenues Policy at the Ministry of Finance and National Economy

**Mr. Ahmad Mazhar**

Non - Executive / Non - Independent Since Oct 2022

- Member of the Board of Directors
- Member of the Nomination, Remuneration and Governance Committee
- Member of the Subsidy and Commercialization Committee

**Experience**

- Over 15 years of experience in private equity with a strong track record in sourcing, executing, and managing portfolio companies across a diverse range of industries in MENA, Southeast Asia, and Sub Saharan Africa.
- Prior to joining Mumtalakat, he was a Managing Director at Helios Fairfax Partners (HFP), overseeing new investments and portfolio management for the Southern Africa region.
- He also served as an interim Chief Restructuring Officer of AFGRI Group, a portfolio company of HFP and one of the largest Agri services company in Southern Africa.
- He has also held various positions at several international organisations such as the Abraaj Group, Fairfax Africa Holdings and Emerging Capital Partners.

**Qualifications**

- MBA in Finance and Entrepreneurship from the University of Pennsylvania, The Wharton School.
- BEng in Electrical Engineering from Georgia Institute of Technology.

**Directorships and positions in other companies**

- Executive Director – Strategic Investments at Bahrain Mumtalakat Holding Company (BMHC), Bahrain



## Mr. Basil Ghali

Non - Executive / Non - Independent Since Oct 2022

- Member of the Board of Directors
- Member of the Purchasing & Projects Committee

### Experience

- Over 15 years of experience in operational turnarounds, Private Equity and Financial Advisory.
- Prior to joining Mumtalakat, he held senior management positions at Macquarie Capital, GFH, Oasis Capital Bank, M.H. Al Mahroos and held the position of Acting COO of Shoaibi Group, KSA.

### Qualifications

- MSc in Management, London School of Economics and Political Science ("LSE").
- BSc (Hons) in Accounting and Finance, London School of Economics and Political Science ("LSE")

### Directorships and positions in other companies

- Senior Director – Bahrain Mumtalakat Holding Company (BMHC), Bahrain

## d. Description of the following:

### 1. Total remunerations paid to the directors for the year 2021.

The total remuneration paid to the Board of Directors of the Company for services during year 2021 was, in the aggregate, BHD 60,000.

### 2. The proposed total remunerations to be paid to the directors for the year 2022, which will be presented at the annual general meeting for approval.

The proposed remuneration of the Board of Directors of the Company for services during year 2022 is, in the aggregate, BHD 60,000. This amount is subject to the approval of the shareholders.

### 3. Description of the sitting fees paid to the directors for attendance of the Board and Board's committees for the financial year 2022 according to the following table:

The below table illustrated the fees for the Board:

Board of Directors (2020-2023)			
#	Name	Aggregate amount of the sitting fees paid for attendance of the Board and Board Committees	
		Board / Committee*	Sitting Fees (BHD)**
1	Mr. Marwan Khalid Tabbara	BOD, NRG, and SCC	10,200
2	Mr. Salah Mohamed Al Kulaib	BOD and PPC	11,700
3	Mr. Khalid Abdulaziz Al Jassim	BOD, ACRC, NRG, and SCC	13,300
4	Mr. Eyad Redha Faraj	BOD, ACRC, NRG and PPC	15,000
5	Ms. Raghdan Saleh Abdulrasool	BOD, ACRC, PPC and SCC	17,500
6	Mr. Ayman Abdulhameed Zainal	BOD and ACRC	5,500
7	Mr. Ahmad Mazhar	BOD, SCC, and NRG	2,500
8	Mr. Basil Ghali	BOD and PPC	2,000
<b>Total</b>			<b>77,700</b>

\* BOD: Board of Directors, ACRC: Audit, Compliance and Risk Committee, PPC: Purchasing and Projects Committee, NRG: Nomination, Remuneration and Governance Committee, SCC: Subsidy and Commercialization Committee

\*\* Please refer to Section 3.C, 5, 6, 9, 10 and 11 below for the attendance details.

**e. Number and dates of the Board's meetings held during the financial year 2022, in addition to the number of times directors attended in person or by visual communication and a description of the directors present by proxy.**

The below illustrated the attendance for the Board:

The Board held a total of nine meetings in 2022, which were held on 24 January, 24 February, 27 March, 27 March, 12 May, 19 July, 11 August, 8 November, and 22 December. Four meetings were held virtually, and five meetings were held physically:

Mr. Marwan Khalid Tabbara	(9 Meetings)
Mr. Salah Mohamed Al Kulaib	(9 Meetings)
Mr. Khalid Abdulaziz Al Jassim	(9 Meetings)
Mr. Eyad Redha Faraj	(8 Meetings)
Ms. Raghdan Saleh Abdulrasool	(9 Meetings)
Mr. Ayman Abdulhameed Zainal	(6 Meetings)
Mr. Ahmad Mazhar	(2 Meetings)
Mr. Basil Ghali	(2 Meetings)

**f. Description of the Board's duties and competences carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation.**

There were no tasks and mandates delegated by the Board of Directors to the Executive Management during the year 2022.

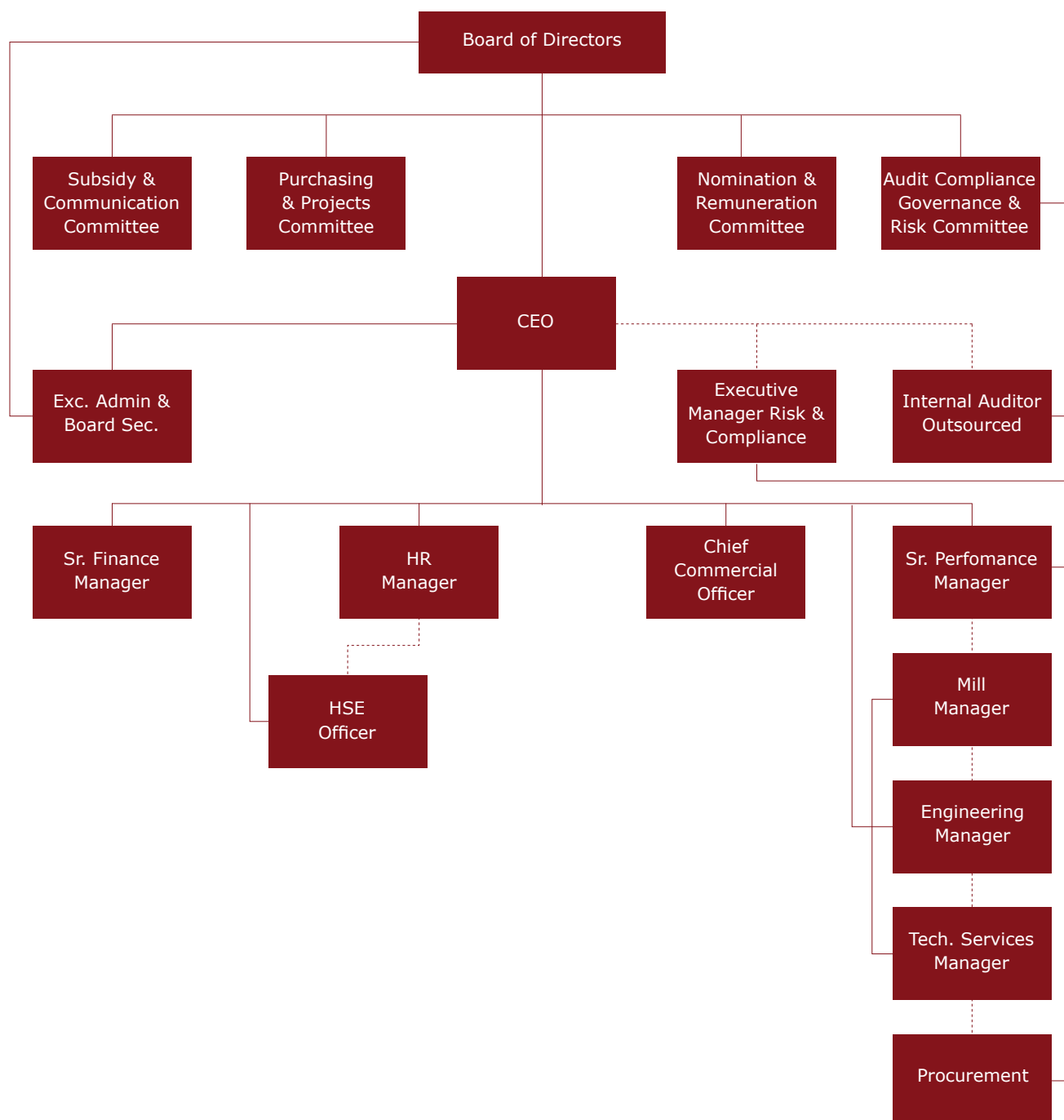
**g. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction.**

Details of transactions with related parties are included in Note No. 23 of the audited financial statements for the year ended 31 December 2022.



# CORPORATE GOVERNANCE

- h. The Company's organizational structure, including the first and second grades at a minimum and including the Company's general manager and/or chief executive officer, deputy general manager and managers.



**i. Total remunerations paid to the key executive officers, including salaries, benefits, allowances, increases, stock options, end-of-service benefits, pensions, etc.**

The total paid remuneration to the key executive officers (including salaries and other benefits) is, in the aggregate, BHD 359,366. Please refer to Note 23 (b) of the audited financial statements for the year ended 31 December 2022 for the details.

## 4. External Auditors:

**a. Providing shareholders with the auditor's profile and overview of its professional performance.**

KPMG has had a presence in the kingdom of Bahrain for more than 50 years. From a small local accounting firm, founded in 1968 by university friends late Jassim M. Fakhro and Mr. Hussain Kasim, KPMG in Bahrain has become one of the largest and most prestigious global professional services firms in the country. KPMG in Bahrain employs over 380 professional staff and partners. Bahrainis represent over 60% of their total workforce and occupy many of their senior leadership and professional positions.

KPMG auditors have undertaken the audit of the financial statements for the ended year 31 December 2019 in accordance with International Standards on Auditing ("ISA").

The auditors are required by the ISA to communicate audit matters of governance interest arising from audit with those charged with governance including either the directors of the company or the members of the audit committee.

The audit is conducted in such a manner as the auditors deem necessary to enable them to fully accomplish their professional responsibilities without any interference or influence from any of the executive management or members of the board of directors. The auditors are committed to obtain an understanding of the accounting system of the company and the internal control system to assess its adequacy. The nature and extent of the tests done by the auditor vary according to the assessment of the company's accounting system and the system of internal control.

**b. Fees and charges for the audit or services provided by the external auditor during the year 2022, in addition to a description of the auditor's years of service as the Company's external auditor. According to the following table:**

Name of the audit firm	KPMG Fakhro
Years of service as the Company's external auditor	9 years
Name of the partner in charge of the Company's audit	Hasan Jassim
The partner's years of service as the partner in charge of the Company's audit	2 years
Total audit fees for the financial statements for the year 2022 (BHD)	BD 18,250
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2022 (BHD) if any.	BD 6,000

## 5. Audit, Compliance and Risk Committee ('ACRC'):

**a. Names, competences and duties of the committee's members.**

ACGRC Members:

- Mr. Khalid Abdulaziz Al Jassim Chairman
- Mr. Eyad Redha Faraj Vice Chairman
- Ms. Raghdan Saleh Abdulrasool Member
- Mr. Ayman Abdulhameed Zainal Member

The Purpose of the Audit, Compliance and Risk Committee ('ACRC') is to assist the Company's Board of Directors in fulfilling its oversight responsibilities to (a) select, appoint, remunerate or, where appropriate, terminate the external auditor, subject to ratification by the Board and the Shareholders, (b) review the Company's accounting and financial practices, and the integrity of the financial control, internal control and financial statements, (c) select, appoint and terminate, where appropriate, of the internal auditor and the budget allocated to the internal audit (d) oversee the implementation and effective operation of the risk management framework; and ensure that the Company has in place adequate controls to identify, monitor and report the risk. The ACRC shall meet at least four times a year.

# CORPORATE GOVERNANCE

## b. Number and dates of meetings held by the committee during the year to discuss issues related to financial statements and any other matters and the number of times members attended the meetings in person.

The ACRC held a total of eight meetings in 2022, which were held on 16 January, 22 February, 11 May, 19 June, 18 July, 10 August, 14 September, and 7 November 2022. Three meetings were held virtually, and five meetings were held physically:

Mr. Khalid Abdulaziz Al Jassim, Chairman	(8 Meetings)
Mr. Eyad Redha Faraj, Vice Chairman	(8 Meetings)
Ms. Raghdan Saleh Abdulrasool, Member	(8 Meetings)
Mr. Ayman Abdulhameed Zainal, Member	(5 Meetings)

### Corporate governance officer's name, qualifications, date of appointment, and contact details.

Mr. Ali Abdullelah Almoalem has been appointed as the Corporate Governance Officer of Bahrain Flour Mills Company B.S.C. effective 4th November 2018. Mr. Almoalem holds bachelor's degree in Computer Engineering from the University of Bahrain. Below are the contact details:

- Office No.: +973- 17729984/ Ext: 105
- Mobile number: +97339244610
- E-mail Address: ali.a@bfm.bh

## 6. Nomination, Remuneration and Governance Committee (NRGC):

### a. Names, competences and duties of the committee's members.

NRC Members:

- Mr. Marwan Khalid Tabbara Chairman
- Mr. Khalid Abdulaziz Al Jassim Vice Chairman
- Mr. Eyad Redha Faraj Member
- Mr. Ahmad Mazhar Member (Joined NRGC in October 2022)

The purpose of the Nomination, Remuneration and Governance Committee ('NRGC') is to assist the Company's Board of Directors in fulfilling its oversight responsibilities to (a) review all candidates for board membership recommended by the shareholders (b) make recommendations to the board from time-to-time as to changes the committee believes to be desirable to the size and composition of the board or any committee of the board, (c) coordinate and organize the annual evaluation of the Board and Board Committees (d) recommend the appointment of specific executive managers vacancies including the CEO, (e) approve, monitor and review the Company's remuneration policy, and evaluation of the executive management, (f) develop and recommend to the Board changes from time to time in BFM's written corporate governance guidelines, which shall constitute BFM's corporate governance policy framework and shall include or refer to the principles and numbered directives of the Corporate Governance Code of the Kingdom of Bahrain ("Bahrain Code") and CBB Rulebook. The NRGC shall meet at least twice a year.

### b. Number and dates of meetings held by the committee during the financial year and the number of times members attended the meetings in person.

The NRGC held a total of two meetings in 2022, which were held on 27 January and 30 June 2022. One meeting was held virtually, and one meeting was held physically:

Mr. Marwan Khalid Tabbara, Chairman	(2 Meetings)
Mr. Khalid Abdulaziz Al Jassim, Vice-Chairman	(2 Meetings)
Mr. Eyad Redha Faraj, Member	(2 Meetings)
Mr. Ahmad Mazhar, Member	(None)

### c. Summary of the committee performance report with regard to the Governance during the year 2022.

The NRGC reviewed and updated the Company's Corporate Governance Guidelines, including the charters of the Board and Board's Committees as per the Resolution No. (91) of 2022 concerning the amendments to certain provisions of the Corporate Governance Code Issued by Resolution No. (19) of 2018.



## 7. Purchasing and Projects Committee ('PPC')

### a. Names, competences and duties of the committee's members.

PPC Members:

- Mr. Salah Mohamed Mushari Al Kulaib Chairman
- Mr. Eyad Redha Faraj Member
- Ms. Raghdan Saleh Abdulrasool Member
- Mr. Basil Ghali Member (Joined the PPC in October 2022)

The purpose of the Purchasing and Projects Committee ('PPC') is to assist the Company's Board of Directors in fulfilling its oversight responsibilities with respect to (a) wheat procurement, and other general procurements, and (b) major project and capital expenditures. The PPC shall meet at least twice a year.

### b. Number and dates of meetings held by the committee during the financial year and the number of times members attended the meetings in person.

The PPC held a total of twelve meetings in 2022, which were held on 01 February, 3 February, 8 February, 8 March, 23 March, 29 March, 9 June, 21 June, 6 October, 11 October, 11 December and 21 December. Eleven meetings were held virtually, and one meeting was held physically:

Mr. Salah Mohamed Mushari Al Kulaib, Chairman	(12 Meetings)
Mr. Eyad Redha Faraj, Member	(12 Meetings)
Ms. Raghdan Saleh Abdulrasool, Member	(12 Meetings)
Mr. Basil Ghali, Member	(2 Meetings)

## 8. Subsidy and Commercialization Committee ('SCC')

### a. Names, competences and duties of the committee's members.

SC Members:

- Mr. Marwan Khalid Tabbara Chairman
- Mr. Khalid Abdulaziz Al Jassim Member
- Ms. Raghdan Saleh Abdulrasool Member
- Mr. Ahmad Mazhar Member (Joined the SCC in October 2022)

The purpose of the Subsidy and Commercialization Committee ('SCC') is to assist the Company's Board of Directors in fulfilling its oversight responsibilities with respect (a) overseeing the review of the subsidy arrangements and finalization of the subsidy framework/contract with the Government of Bahrain ("GOB"), (b) ensuring that the Board has a clear understanding of the commercial aspects that will form the basis of the subsidy framework/contract with the GOB, (c) review and provide guidance on the development and execution of the Company's pricing strategies, and (d) review and provide guidance on the management's activities in relation to the acquisition and analysis of market and competitive intelligence. The SC shall meet at least twice a year.

### b. Number and dates of meetings held by the committee during the financial year and the number of times members attended the meetings in person.

The SCC held a total of six meetings in 2022, which were held on 20 January, 22 March, 21 June, 29 November, 06 December, and 20 December 2022. One meeting was held virtually, and 5 were held physically.

Mr. Marwan Khalid Tabbara, Chairman	(6 Meetings)
Mr. Khalid Abdulaziz Al Jassim, Member	(6 Meetings)
Ms. Raghdan Saleh Abdulrasool, Member	(6 Meetings)
Mr. Ahmad Mazhar, Member	(3 Meetings)

## 9. Details of any irregularities committed during the financial year, their causes (if any), and the plan to address them in order to avoid future recurrence.

# CORPORATE GOVERNANCE

There are no irregularities committed during the year 2022.

## 10. Description of the cash and in-kind contributions made by the Company during the year 2022 for the purpose of community development and environment preservation (In the absence of contributions, it should be stated that the Company did not make any contributions), indicating the recipients of these contributions.

Our priorities focused on supporting the community that we are a part of. These priorities included the annual contribution of the company in cooperation with the Royal Charitable Organization to distribute 8,000 Ramadan baskets to needy families during the holy month of Ramadan. We also donated gifts to Alia for Early Intervention on their national day celebration.

## 11. Ownership Structure

### a. Statement of shareholders' equity as of 31 December 2022 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign.

#	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organizations	Total
1	Local	22.77%	2.96%	65.73%	91.46%
2	Arab	0.88%	7.65%	-	8.53%
3	Foreign	0.01%	-	-	0.01%
Total		23.66%	10.61%	65.73%	100%

### b. Description of the shareholders who hold 5% or more of the Company's share capital, indicating the name of the natural person who holds the shares, the final beneficiary, as at 31 December 2022 as follows:

#	Name	Number of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Bahrain Investment Holding Company - Istithmar	16,322,806	65.73%	Bahrain Government
2	Kuwait Flour Mills & Bakeries Co.	1,848,000	7.44%	Kuwait Flour Mills & Bakeries
3	Abdulhameed Zainal Mohamed Zainal	1,825,167	7.35%	Abdulhameed Zainal

### c. Description of how shareholders are distributed according to their respective shareholding as at 31 December 2022 as follows:

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	1,721	3,555,609	14.32%
2	50,000 to >500,000	14	1,280,918	5.16%
3	500,000 to 5,000,000	2	3,673,167	14.79%
4	>5,000,000	1	16,322,806	65.73%

### d. Shareholding by Members of the Board of Directors and Executive Management as at 31 December 2022

As at 31 December 2022, none of Board of Directors and Executive Management hold any shares of the Company.

### e. Description of the significant events that occurred during the year 2022.

Please refer to the Board of Directors Report enclosed with the annual audited financial statements for the year ending 31 December 2022.

## 12. Compliance with the provisions of the Corporate Governance Code, as follows:

# CORPORATE GOVERNANCE

Principle	Non-compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.			Yes	
Principle 2: The directors and executive management shall have full loyalty to the company.			Yes	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.			Yes	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			Yes	
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.			Yes	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			Yes	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			Yes	
Principle 8: The Company shall disclose its corporate governance.			Yes	
Principle 9: Companies which offer Islamic Services shall adhere to the principles of Islamic Shari'a*			N/A	
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			Yes	
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.			Yes	

\* Applicable only to the companies offering Islamic Services

## 13. Any disclosures required by the regulatory authorities.

Please refer to the company's disclosures on the Bahrain Bourse website.

  
**Marwan Khalid Tabbara**  
 Chairman of the Board

Date: 24 February 2023

**Mr. Henry Wayne Craig**

Chief Executive Officer

Date of Joining Al Matahin – April 2018

- Chairman of the Management Procurement and Technical Committee.
- Chairman of the Management HR & Admin Committee
- Member of the Management Audit & Risk Committee

**Experience**

- January 2017 – 2018 Providing Consultation in milling and food distribution industries on a national basis in South Africa. Also working with European snack supplier to enter African market.
- 2013 – 2016 Operations Director - Heartland Food Limited, Durban, South Africa.
- 2003 – 2013 Deputy M.D. /Operations Director - European Oat Millers Ltd, UK.
- 2002 – 2003 Operations Manager - The English Provender Co. Ltd, UK.

**Qualifications**

- University of Bournemouth, UK – Master of Business Administration (MBA).
- The Grain Milling Federation of South Africa – Maize Milling Technology and Wheat/Flour Milling Technology.

**Mr. Ali Shawki Fakhro**

Chief Commercial Officer

Date of Joining Al Matahin – April 2021

- Member of the Management Procurement and Technical Committee.
- Member of the Management HR & Admin Committee
- Member of the Management Audit & Risk Committee

**Experience**

- 2020 Managing Director – Flat6Labs Bahrain, Manama, Bahrain.
- 2006 – 2020 Deputy Chief Executive – Mohammed Fakhroo & Bros., Manama, Bahrain.

**Qualifications**

- Certified Management Accountant.
- Master of Business Administration degree with a concentration in Entrepreneurship from F.W. Olin Graduate School of Business, USA.
- Bachelor of Science in Business Administration with a concentration in Finance from Babson College, USA.





## STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

# INDEPENDENT AUDITOR'S REPORT



To the Shareholders of

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

## **Report on the audit of the financial statements**

### ***Opinion***

We have audited the financial statements of Bahrain Flour Mills Company B.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other 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 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

### ***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 Auditors' 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 of the current period. 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

## Report on the audit of the financial statements (continued)

Completeness and accuracy of government subsidy	
See Note 3 (b) relating to government subsidy policy and note 16 on disclosure of government subsidy to the financial statements.	
The key audit matter	How the matter was addressed in our audit
The Company's products are subsidised by the government of the Kingdom of Bahrain. We focused on this matter because of significance of the subsidy amount representing 68% of total income from operations, and importance of the subsidy to the business of the Company.	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• testing the design and operating effectiveness of controls over the process of recognising and claiming government subsidy;</li><li>• assessing whether claims made by the Company are in line with the memorandum of understanding agreed with Ministry of Industry and Commerce;</li><li>• agreeing the amount of subsidy received with the amount approved by Ministry of Industry and Commerce; and</li><li>• assessing the adequacy of the Company's disclosures related to government subsidy by reference to relevant accounting standards.</li></ul>

### 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 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 Standards, and for such internal control as the board of directors 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 the board of directors 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.



# INDEPENDENT AUDITOR'S REPORT

## **Report on the audit of the financial statements** (continued)

### *Auditors' Responsibilities for the Audit of the Financial Statements* (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 the board of directors.
- 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, actions taken to eliminate threats or safeguards applied.

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 of the current period 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

- A) As required by the Commercial Companies Law, we report that:
- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
  - b) the financial information contained in the Board of Directors' report is consistent with the financial statements;
  - c) we are not aware of any violations during the year of the Commercial Companies Law, or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
  - d) satisfactory explanations and information have been provided to us by management in response to all our requests.
- B) As required by the Ministry of Industry and Commerce in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
- a) a corporate governance officer; and
  - b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Hassan Mohammed Jassim.



KPMG Fakhro  
 Director, Registration Number 217  
 22 February 2023

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

Bahraini Dinars

		2022	2021
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	6,413,148	5,787,313
Investment securities	6	1,541,475	-
<b>Total non-current assets</b>		<b>7,954,623</b>	<b>5,787,313</b>
<b>Current assets</b>			
Investment securities	6	10,824,052	13,998,106
Inventory	7	8,618,655	8,676,953
Receivables and other assets	8	4,141,240	2,505,562
Cash and bank balances	9	5,698,048	1,370,668
<b>Total current assets</b>		<b>29,281,995</b>	<b>26,551,289</b>
<b>Total assets</b>		<b>37,236,618</b>	<b>32,338,602</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	2,481,877	2,481,877
Share premium		1,350,000	1,350,000
Statutory reserve		1,241,625	1,241,625
Other reserves		3,463,628	3,463,628
Retained earnings		16,683,756	15,901,795
<b>Total equity</b>		<b>25,220,886</b>	<b>24,438,925</b>
<b>Non-current liabilities</b>			
Lease liabilities	21	1,185,464	382,196
Employee end-of-service benefits	11	113,004	103,638
<b>Total non-current liabilities</b>		<b>1,298,468</b>	<b>485,834</b>
<b>Current liabilities</b>			
Lease Liabilities	21	61,420	67,380
Trade payables and other liabilities	12	638,425	516,539
Import finance loans	13	8,169,905	5,555,448
Bank overdraft	9	1,847,514	1,274,476
<b>Total current liabilities</b>		<b>10,717,264</b>	<b>7,413,843</b>
<b>Total liabilities</b>		<b>12,015,732</b>	<b>7,899,677</b>
<b>Total equity and liabilities</b>		<b>37,236,618</b>	<b>32,338,602</b>

The financial statements were approved by the Board of Directors on 22 February 2023 and signed on its behalf by:



**Marwan Khaled Tabbara**  
Chairman



**Salah Mohamed Al Kulaib**  
Vice Chairman



**Wayne Henry Craig**  
Chief Executive Officer

The accompanying notes from 1 to 28 are an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

Bahraini Dinars

		2022	2021
	Note		
Sales	14	7,634,836	6,863,873
Cost of sales	15	(22,178,933)	(15,601,182)
<b>Gross loss before government subsidy</b>		(14,544,097)	(8,737,309)
Government subsidy	16	16,517,912	10,352,159
Other operating income		89,575	86,634
<b>Gross profit</b>		2,063,390	1,701,484
Other operating expenses	17	(1,361,076)	(1,427,652)
Impairment loss on trade receivables	8	-	(47,000)
<b>Operating profit</b>		702,314	226,832
Change in fair value of investment at fair value through profit or loss	6	595,945	218,986
Finance cost	18	(53,450)	(40,748)
Interest income from debt securities and deposits		57,098	218,986
Other income	19	120,694	(40,748)
<b>Profit for the year</b>		1,422,601	3,946,872
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		1,422,601	3,946,872
<b>Basic and diluted earnings per share</b>	20	57 fils	159 fils



**Marwan Khaled Tabbara**  
Chairman



**Salah Mohamed Al Kulaib**  
Vice Chairman



**Wayne Henry Craig**  
Chief Executive Officer

The accompanying notes from 1 to 28 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

Bahraini Dinars

2022	Share capital	Share premium	Reserves		Retained earnings	Total
			Statutory reserve	Other reserves		
At 1 January	2,481,877	1,350,000	1,241,625	3,463,628	15,901,795	24,438,925
<b>Total comprehensive income for the year</b>	-	-	-	-	1,422,601	1,422,601
Dividends declared for 2021	-	-	-	-	(620,640)	(620,640)
Charity contributions approved for 2021	-	-	-	-	(20,000)	(20,000)
<b>At 31 December</b>	<b>2,481,877</b>	<b>1,350,000</b>	<b>1,241,625</b>	<b>3,463,628</b>	<b>16,683,756</b>	<b>25,220,886</b>

2021	Share capital	Share premium	Reserves		Retained earnings	Total
			Statutory reserve	Other reserves		
At 1 January	2,481,877	1,350,000	1,241,625	3,463,628	12,347,307	20,884,437
Total comprehensive income for the year	-	-	-	-	3,946,872	3,946,872
Dividends approved and paid for 2020	-	-	-	-	(372,384)	(372,384)
Charity contributions approved for 2020	-	-	-	-	(20,000)	(20,000)
At 31 December	2,481,877	1,350,000	1,241,625	3,463,628	15,901,795	24,438,925

The accompanying notes from 1 to 28 are an integral part of these financial statements.



# STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

Bahraini Dinars

		2022	2021
	Note		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Profit for the year</b>		<b>1,422,601</b>	3,946,872
Adjustments for:			
Depreciation / amortisation	5	485,911	513,495
Net change in investments at fair value through profit or loss	6	(595,945)	(3,541,802)
Finance cost		53,450	40,748
Interest income		(28,743)	(12,619)
Government subsidy – Expense reimbursement		(89,575)	(86,634)
Impairment loss on trade receivable		-	47,000
Profit from sale of property, plant & equipment		(12,291)	(250)
Change in working capital:			
Inventories		58,298	(20,763)
Receivables and other assets		(1,635,678)	(152,478)
Trade payables and other liabilities		34,056	(2,877,228)
Provision for employees' indemnities		9,366	19,715
<b>Cash flow used in operating activities</b>		<b>(298,550)</b>	(2,123,944)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposits matured during the year		-	752,325
Purchase of investment securities		(1,588,709)	-
Interest income received		23,568	12,619
Purchase of property, plant and equipment		(209,901)	(129,600)
Proceeds from sale of property, plant and equipment		152,250	250
Proceeds from sale of investment securities		3,769,999	-
<b>Cashflows from investing activities</b>		<b>2,147,207</b>	635,594
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Import finance loans availed		19,695,322	13,528,741
Repayment of import finance loans		(17,080,865)	(12,867,122)
Dividends paid		(620,620)	(373,045)
Finance cost paid		(51,864)	(16,493)
Lease liability paid		(36,288)	(50,418)
<b>Cashflows from financing activities</b>		<b>1,905,685</b>	221,663
<b>Net change in cash and cash equivalents during the year</b>		<b>3,754,342</b>	(1,266,687)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		96,192	1,362,879
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	9	<b>3,850,534</b>	96,192

The accompanying notes from 1 to 28 are an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 REPORTING ENTITY

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

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

The Company's majority shareholder is Bahrain Investment Holding Company – Istithmar W.L.L, which holds 65.73% of the Company's shares (the "Parent"). The Parent is a wholly owned company by Mumtalakat Holding Company B.S.C (c) (the "Ultimate Parent").

The financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on 22 February 2023.

## 2 BASIS OF PREPARATION

### a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") and in conformity with the Commercial Companies Law (as amended).

### 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 certain investment securities which are stated at fair value.

### c) New standards, amendments and interpretations effective from 1 January 2022

There are no new standards, amendments to the standards, which became effective as of 1 January 2022, that were relevant and had a material impact on the Company's financial statements.

### d) New standards and amendments not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early applied the new or amended standards in preparing these financial statements.

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

1. Classification of liabilities as current or non-current (Amendments to IAS 1);
2. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); and
3. Definition of Accounting Estimates (Amendments to IAS 8).

## 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set below. These accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

### 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

Revenue is measured based on the consideration specified in a contract with customer. The Company recognises revenue when it transfers control over goods or services to the customer.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### a) Revenue recognition (continued)

#### (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.

### b) Government grant and subsidy

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

(ii) In addition, the Company recognizes an unconditional government grant that compensates the Company for expenses incurred in the statement of profit or loss and other comprehensive income as other income when the grants become receivable.

### 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 have been presented in Bahraini Dinars (BD). Unless otherwise stated, all financial information presented has been rounded off to the nearest dinar.

#### (ii) Transactions and balances

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

### e) Leases

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

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

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

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

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

### *Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

### *Short-term leases and leases of low-value assets*

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

## **f) Financial instruments**

Financial instruments in these financial statements include financial assets and financial liabilities that are recognized and measured under the requirement of IFRS 9 - Financial Instruments. Financial assets mainly comprise of investment at fair value through profit or loss, cash and cash equivalents, fixed deposit, receivables and other assets. Financial liabilities comprise trade payables and other liabilities, import finance loans, bank overdraft, advance to and from customers that would be settled by transfer of non-financial items are not considered financial instruments. Liabilities and assets that are not contractual (such as those that are created as a result of statutory requirements imposed by the government) are not financial assets or liabilities under IFRS 9.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### f) Financial instruments (continued)

#### (i) Classification

##### Financial assets

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

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

##### Financial liabilities

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

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

#### (ii) Initial recognition and measurement

The Company recognises financial assets and liabilities in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

Financial assets (other than trade receivables) are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition of the financial asset except transaction costs on financial instruments measured at FVTPL which are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of listed and/ or quoted financial assets are recognised on the trade date. All regular way purchases and sales of other financial assets are recognized on the settlement date.

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

Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

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

#### (iii) Subsequent measurement

##### Financial assets

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

#### a) Financial assets are measured at amortised cost using the effective interest rate method if:

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

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

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

#### ***Assessment of whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measured requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets.

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

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

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

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

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

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

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

### Financial liabilities

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

Financial liabilities classified as financial liabilities at FVTPL includes derivatives.

#### **(iv) Derecognition of financial assets and liabilities**

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

Financial liabilities are derecognised and removed from the statement of financial position when the obligation is discharged, cancelled, or expires. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

#### (v) Fair value measurement

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

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

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

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

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

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

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

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

#### (vi) Impairment of financial assets

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

##### *Credit-impaired financial assets*

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

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

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

##### *Presentation of allowance for ECL in the statement of financial position*

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

#### (vii) Offsetting financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position if, and only if, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

#### g) Trade and other receivables

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

#### 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. All other repairs and maintenance costs are recognized in the statement of profit or loss as incurred.

##### (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 statement of profit or loss and other comprehensive income as an expense as incurred.

##### (ii) Depreciation

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

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

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

##### Capital spares

The Company capitalises the spare parts of machines that are high in value, critical to the plant operations and have a life equal to the life of the machine. These spare parts are depreciated over the life of the related machine.

##### Capital work-in-progress

Capital work-in-progress represents expenditures incurred in setting up new facilities, which are capitalised when they are put to commercial use. Depreciation is not charged on capital work-in-progress until such time as these assets are completed and transferred to the respective category of assets.

#### i) Impairment of non-financial assets

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

#### j) Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The gross amount of VAT recoverable from, or payable to, the taxation authority are included as part of receivables and payables in the statement of financial position, at net basis.

#### k) Share Capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

#### l) Treasury shares

Treasury shares are stated at acquisition cost and are shown as a deduction to equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Gain or loss arising from the subsequent resale of treasury shares is included in the retained earnings in the statement of changes in equity. Net movement from repurchase and resales of treasury shares is booked under the treasury shares.

#### m) Dividend distribution

Dividends are recognised as a liability in the period in which they are approved by the shareholders.

#### n) Statutory reserve

In accordance with the Commercial Companies Law, 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.

#### o) 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.

Terminal and other employee's benefits, entitlements to annual leaves, air passage or others are recognized as they accrue to the employees.

#### p) 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. Bank overdrafts are deducted from this balance to arrive at cash and cash equivalents.

#### q) Trade payables and other liabilities

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

#### r) Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest, realised losses resulted from settlement of interest rate swaps (excluding unrealised fair value changes) and other costs that an entity incurs in connection with the borrowing of funds.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

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

### s) Board members' remuneration

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

### t) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Judgements

In the process of applying the Company's accounting policies, the Board of Directors has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

#### *Going concern*

The Company's Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### *Classification of investments*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### Estimates and assumptions (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.

As at 31 December 2022, gross inventories of spares was BD 1,026,934 (2021: BD 957,836) with provisions for slow moving spares of BD 536,628 (2021: BD 521,782). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit and loss and other comprehensive income.

#### *Impairment of receivables*

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

#### *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.

#### *Impairment of property, plant and equipment*

The Company at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5 PROPERTY, PLANT AND EQUIPMENT

Bahraini Dinars

2022	Buildings	Plant, Machinery and capital spares	Motor vehicles	Furniture and office equipment	Right-of-use assets	Capital Work-in-progress**	Total
Cost							
At beginning of year	8,779,071	8,006,393	160,458	850,549	583,448	2,932,040	21,311,959
Additions	-	37,178	12,500	31,776	1,151,716	164,197	1,397,367
Disposals	-	(26,888)	-	(6,724)	(345,658)	-	(379,270)
Spare parts usage	-	(2,316)	-	-	-	-	(2,316)
<b>At 31 December</b>	<b>8,779,071</b>	<b>8,014,367</b>	<b>172,958</b>	<b>875,601</b>	<b>1,389,506</b>	<b>3,096,237</b>	<b>22,327,740</b>
Depreciation							
At beginning of year	6,973,126	7,426,012	142,455	828,773	154,280	-	15,524,646
Charge for the year:							
- Cost of sales	234,548	165,291	7,305	2,872	-	-	410,016
- Operating	2,008	3,973	3,627	11,250	54,949	-	75,807
Disposals	-	(26,888)	-	(6,616)	(60,057)	-	(93,561)
Spare parts usage	-	(2,316)	-	-	-	-	(2,316)
<b>At 31 December</b>	<b>7,209,682</b>	<b>7,566,072</b>	<b>153,387</b>	<b>836,279</b>	<b>149,172</b>	<b>-</b>	<b>15,914,592</b>
<b>Net carrying value At 31 December</b>	<b>1,569,389</b>	<b>448,295</b>	<b>19,571</b>	<b>39,322</b>	<b>1,240,334</b>	<b>3,096,237</b>	<b>6,413,148</b>
2021	Buildings	Plant, Machinery and capital spares	Motor vehicles	Furniture and office equipment	Right-of-use assets	Capital Work-in-progress	Total
Cost							
At beginning of year	8,778,485	7,947,790	160,458	818,005	503,471	2,897,222	21,105,431
Additions	586	58,951	-	35,244	79,977	34,818	209,576
Disposals	-	-	-	(2,700)	-	-	(2,700)
Spare parts usage	-	(348)	-	-	-	-	(348)
At 31 December	8,779,071	8,006,393	160,458	850,549	583,448	2,932,040	21,311,959
Depreciation							
At beginning of year	6,731,220	7,232,497	130,384	811,606	108,321	-	15,014,028
Charge for the year:							
- Cost of sales	235,073	189,743	8,444	10,292	-	-	443,552
- Others	6,833	3,949	3,627	9,575	45,959	-	69,943
Disposals	-	-	-	(2,700)	-	-	(2,700)
Spare parts usage	-	(177)	-	-	-	-	(177)
At 31 December	6,973,126	7,426,012	142,455	828,773	154,280	-	15,524,646
Net carrying value At 31 December	1,805,945	580,381	18,003	21,776	429,168	2,932,040	5,787,313

\* The land at Mina Salman on which the mill was built is leased by the Company from the Government of Kingdom of Bahrain and the lease contract expired on 30 June 2020 for Mill Main land on which mill plant is built and for ship loader and unloader premises. During December 2022, the Company has agreed on new terms with the respective authority within Government of Bahrain on the renewal of lease agreement for a period of 20 years from December 2022. The Company has calculated the right-use-assets and lease liabilities and have accounted it using last agreed rate with the lessor.

\*\* The property, plant and equipment include capital-work-in-progress an amount of BD 3,096,238 incurred towards supply and installation of mechanical and electrical equipment including the engineering work to upgrade cleaning house, new mill and to upgrade the flour blending and mixing and Flour sterilator in the lease hold property.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 6 INVESTMENTS SECURITIES

	Note	2022	2021
Debt securities, at amortized cost		1,541,475	-
Equity securities and managed funds, at FVTPL	3,5	10,824,052	13,998,106
		12,365,527	13,998,106

Investment securities classified as follows:		2022	2021
Non-current		1,541,475	-
Current assets		10,824,052	13,998,106
		12,365,527	13,998,106

6.1 The movement in investment securities, at FVTPL is as follows:

	2022	2021
At 1 January	13,998,106	10,456,304
Sale of investment securities	(3,769,999)	-
Net change in fair value	595,945	3,541,802
	10,824,052	13,998,106

This represents investments in quoted equity securities and funds.

## 7 INVENTORY

	2022	2021
Wheat in silos	7,521,921	3,444,139
Goods in transit	6,099	3,673,981
Finished goods	436,267	1,028,217
Packing materials	164,061	94,562
Spare parts and consumables	1,026,935	957,836
	9,155,283	9,198,735
Less: Provision for obsolete and slow-moving inventories	(536,628)	(521,782)
	<b>8,618,655</b>	8,676,953

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

	2022	2021
At 1 January	521,782	509,932
Charges for the year	14,846	11,850
<b>At 31 December</b>	<b>536,628</b>	521,782

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 8 RECEIVABLES AND OTHER ASSETS

	2022	2021
Subsidy receivable	3,647,669	2,174,524
Trade receivables	236,716	204,769
Advances to suppliers	219,307	139,306
Others	84,548	33,963
	<b>4,188,240</b>	2,552,562
Less: Provision for impairment	(47,000)	(47,000)
	<b>4,141,240</b>	2,505,562

The movements on provision for impairment is as follows:	2022	2021
At 1 January	47,000	-
Charges for the year	-	47,000
	47,000	47,000

## 9 CASH AND BANK BALANCES

	2022	2021
Cash on hand	1,370	691
Bank balances	5,696,678	1,369,977
<b>Cash and bank balance</b>	<b>5,698,048</b>	1,370,668
Bank overdraft	(1,847,514)	(1,274,476)
<b>Cash and cash equivalents</b>	<b>3,850,534</b>	96,192

## 10 SHARE CAPITAL

	2022	2021
Authorised: 100,000,000 shares		
<b>Issued and fully paid:</b> 24,832,500 shares of 100 fils each	2,483,250	2,483,250
6,930 treasury shares (2021: 6,930 shares)	(1,373)	(1,373)
<b>Net shares in public issue</b>	<b>2,481,877</b>	2,481,877

Performance per share	2022	2021
Earnings per 100 fils share	57 fils	159 fils
Net asset value per 100 fils share	1,015 fils	985 fils
Stock Exchange price per 100 fils share at 31 December	340 fils	340 fils
Stock Exchange price to earnings ratio	5.9	2.1
Total market capitalisation at 31 December (BD)	<b>8,443,050</b>	8,443,050

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 10 SHARE CAPITAL (continued)

### 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 2022 and 31 December 2021:

	Nationality	No. of shares	% holding
Bahrain Investment Holding Company - Istithmar B.S.C closed	Bahraini	16,322,806	65.73
Kuwait Flour Mills and Bakeries Company K.S.C.	Kuwaiti	1,848,000	7.44
Abdulhameed Zainal Mohammed	Bahraini	1,825,167	7.35

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

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

Categories*	2022			2021		
	Number of Shares	Number of shareholders	% of total outstanding shares	Number of Shares	Number of shareholders	% of total outstanding shares
Less than 1%	4,589,039	1,734	18.48%	4,736,417	1,714	19.07%
1% up to less than 5%	247,488	1	1.00%	247,488	1	1.00%
5% up to less than 50%	3,673,167	2	14.79%	3,525,789	2	14.20%
50% and above	16,322,806	1	65.73%	16,322,806	1	65.73%
	<b>24,832,500</b>	<b>1,738</b>	<b>100%</b>	<b>24,832,500</b>	<b>1,718</b>	<b>100%</b>

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

The above including treasury shares of 6,930 shares as of 31 December 2022 (2021: 6,930 shares).

## 11 EMPLOYEE END OF SERVICE BENEFITS

The Company's contributions in respect of non-Bahraini employees as per Bahrain Labor Law, amounted to BD 113,004 (2021: BD 103,638).

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

	2022	2021
At 1 January	103,638	83,923
Charge during the year	34,227	19,715
Paid during the year	(24,861)	-
<b>At 31 December</b>	<b>113,004</b>	<b>103,638</b>

## 12 TRADE PAYABLES AND OTHER LIABILITIES

	2022	2021
Trade payables	142,345	115,424
Dividends payable *	54,415	54,485
Deferred income	55,446	41,775
Accrued expenses and other payables	386,219	304,855
	<b>638,425</b>	<b>516,539</b>

\* Represents the dividend payable to the shareholders where the cheques issued have become stale.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 13 IMPORT FINANCE LOANS

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

	2022	2021
At 1 January	5,555,448	4,893,829
Loans availed during the year	19,695,322	13,528,741
Loans repaid during the year	(17,080,865)	(12,867,122)
<b>At 31 December</b>	<b>8,169,905</b>	5,555,448

Import finance loans are unsecured and are re-payable within six months. Interest rates imposed on these loans range from 3% to 7.3%. Interest cost on these loans is recovered back through government subsidy.

## 14 SALES

	2022	2021
Flour	5,207,149	4,671,017
Bran	1,360,460	1,309,918
Special products	1,067,227	882,938
<b>At 31 December</b>	<b>7,634,836</b>	6,863,873

## 15 COST OF SALES

	2022	2021
Raw materials	20,158,154	13,640,713
Staff cost	575,117	575,282
Depreciation (note 5)	410,016	443,552
Packing materials	269,223	243,590
Maintenance, repairs and utilities	329,589	349,983
Others	436,834	348,062
	<b>22,178,933</b>	15,601,182

## 16 GOVERNMENT SUBSIDY

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 16 GOVERNMENT SUBSIDY (continued)

The following table shows the details of Government subsidy:

	2022	2021
Actual cost of wheat purchased and used	19,808,644	13,323,378
Plus: cost conversion per ton of wheat products sold locally	3,925,307	3,518,045
	23,733,951	16,841,423
Less: Gross sales subject to subsidy	(7,216,039)	(6,489,264)
	<b>16,517,912</b>	10,352,159

Quantity sold during the year was tons 124,151 (through Subsidy 121,897 and Commercial is 2,254) (2021: 116,239 tons (through Subsidy 113,490 and Commercial is 2,749)).

## 17 OTHER OPERATING EXPENSES

	2022	2021
Staff cost	775,300	742,538
General and administrative expenses	340,920	454,871
Depreciation (note 5)	78,681	69,943
Board sitting fees	77,700	71,100
Board of directors' remunerations	60,000	60,000
Professional fees	28,475	29,200
	<b>1,361,076</b>	1,427,652

## 18 FINANCE COST

	2022	2021
Interest on lease liabilities	26,200	24,255
Interest on bank overdraft	27,250	16,493
	<b>53,450</b>	40,748

## 19 OTHER INCOME

	2022	2021
Delivery income	18,907	13,042
Income from shipments claims	74,044	47,409
Government grant	-	113,614
Wheat handling charges, net	-	28,417
Others	27,743	3,885
	<b>120,694</b>	206,367

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 20 EARNINGS PER SHARE

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

	2022	2021
Profit for the year	1,422,601	3,946,872
Weighted average number of equity shares in issue	24,832,500	24,832,500
Basic and diluted earnings per share	57 fils	159 fils

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

## 21 LEASES

The Company leases industrial lands. The leases typically run for a period ranging from 2 years to 20 years, with an option to renew the lease after that date. Lease payments are subject to negotiation every 5 years to reflect market rentals. No leases provide for additional rent payments that are based on changes in local price index.

Information about leases for which the Company is a lessee is presented below.

### i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	2022	2021
Balance at 1 January	429,168	395,150
Recognition to right-of-use assets	1,151,716	79,977
Derecognition of right-of-use assets	(285,601)	-
Depreciation charge for the year*	(54,949)	(45,959)
Balance at 31 December	<b>1,240,334</b>	429,168

\* Derecognition of the right-of-use assets is a result of terminating old lease and entering a new lease agreement with a new lessor.

### ii. Lease liabilities under IFRS 16

	2022	2021
Non-current portion	1,185,464	382,196
Current portion	61,420	67,380
Balance at 31 December	<b>1,246,884</b>	449,576

Effective interest on the major lease liabilities is 7.1% (2021: 5%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 21 LEASES (continued)

### iii. Amounts recognised in profit or loss and other comprehensive income

	2022	2021
Interest on lease liabilities	26,200	24,255
Depreciation	54,949	45,959
Expense related to short-term lease	-	59,065
For the year ended 31 December	<b>81,149</b>	129,279

### iv. Amounts recognized in statement of cash flows

	2022	2021
Total cash outflow for lease liabilities	<b>36,288</b>	50,418

Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

## 22 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 segments.

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.

## 23 RELATED PARTY TRANSACTIONS

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

### Transactions with shareholders

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 23 RELATED PARTY TRANSACTIONS (continued)

### Transactions with shareholders (continued)

#### a) Transactions and balances with related parties

		2022	2021
<b>i) Statement of profit or loss and other comprehensive income</b>	<b>Relationship</b>		
Finance cost on import finance loans	Affiliate of ultimate parent	93,917	30,522
Other operating expenses	Affiliate of ultimate parent	7,949	7,343
Interest Income	Affiliate of ultimate parent	419	5,895
		<b>2022</b>	<b>2021</b>
<b>ii) Import Finance Loan</b>	<b>Relationship</b>		
Loans availed during the year	Affiliate of ultimate parent	4,919,647	3,667,094
Repayment of import finance loans		(6,108,531)	(2,920,536)
		<b>2022</b>	<b>2021</b>
<b>iii) Statement of financial position</b>	<b>Relationship</b>		
Import finance loans	Affiliate of ultimate parent	-	3,667,094
Accrued interest on import finance loans	Affiliate of ultimate parent	20,942	32,518
(Bank overaft) / Bank balances	Affiliate of ultimate parent	(969,490)	284,080

#### b) Transactions with key management personnel

Key management personnel of the Company comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company.

The key management personnel transactions are as follows:

	2022	2021
Salaries and other benefits	359,366	234,330
Directors' sitting fees	77,700	71,100
Board of Directors' remunerations	60,000	60,000
Other board of directors' expenses	20,201	20,010
<b>Total compensation</b>	<b>517,267</b>	<b>385,440</b>

## 24 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES

Financial instruments consist of financial assets and financial liabilities.

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

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

#### a) Risk management:

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

- Credit risk
- Liquidity risk
- Market risk



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

### a) Risk management: (continued)

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

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

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

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities and from its finance activities, including from trade receivables, deposit with banks, foreign exchange transactions.

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:

	2022	2021
Bank balances	5,682,540	1,369,977
Receivables and other assets	3,884,386	2,379,293
	<b>9,566,926</b>	<b>3,749,270</b>

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

	2022	2021
Government	3,647,669	2,174,524
Non-government	236,717	204,769
	<b>3,884,386</b>	<b>2,379,293</b>

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

The ageing of receivables at the reporting date was:

	2022		2021	
	Exposure	Loss allowance	Exposure	Loss allowance
Neither past due nor impaired	3,647,669	-	2,174,524	-
Past due and impaired:				
Past due 1-90 days	148,135	4,135	67,479	2,645
Past due 91-365 days	3,308	645	55,849	10,532
Over 365 days	85,274	42,220	81,441	33,823
	<b>3,884,386</b>	<b>47,000</b>	<b>2,379,293</b>	<b>47,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

### Credit risk Concentration

The Company sells its products to a large number of customers. Its two largest customers, which account for 90% of the outstanding trade receivables at 31 December 2022 (2021: 69%).

**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 Company's terms of sale requires cash and carry and for some trade receivables amounts to be paid within 30 to 60 days of the date of sale. Trade payables are non-interest bearing and are normally settled within 30 days terms.

The following are the contractual maturities of financial liabilities:

2022	Carrying value	Gross contractual cash flow	0 up to 3 months	3 up to 6 months	6 months up to 1 year	1 up to 5 years	over 5 years
Trade payables and other liabilities	638,425	638,425	638,425	-	-	-	-
Lease liability	1,246,884	2,173,600	81,510	81,510	163,020	1,412,840	434,720
Import finance loans	8,169,905	8,215,065	2,853,261	5,361,804	-	-	-
Bank overdraft	1,847,514	1,847,514	-	-	-	-	-
Dividend payable	54,415	54,415	54,415	-	-	-	-
	<b>11,957,143</b>	<b>12,929,019</b>	<b>3,627,611</b>	<b>5,443,314</b>	<b>163,020</b>	<b>1,412,840</b>	<b>434,720</b>

2021	Carrying value	Gross contractual cash flow	0 up to 3 months	3 up to 6 months	6 months up to 1 year	1 up to 5 years	over 5 years
Trade payables and other liabilities	462,054	462,054	462,054	-	-	-	-
Lease liability	449,576	673,863	40,164	9,072	18,144	182,676	423,807
Import finance loans	5,555,448	5,604,438	3,761,646	1,842,792	-	-	-
Bank overdraft	1,274,476	1,274,476	1,274,476	-	-	-	-
Dividend payable	54,485	54,485	54,485	-	-	-	-
	<b>7,796,039</b>	<b>8,069,316</b>	<b>5,592,825</b>	<b>1,851,864</b>	<b>18,144</b>	<b>182,676</b>	<b>423,807</b>

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

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

### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES (continued)

### Operational risk (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Board Committees within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements; and
- documentation of controls and procedures.

Compliance with the Company's standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and Board committees of the Company.

### 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:

2022	FVTPL	Amortised cost	Total carrying amount
Cash and cash balances	-	5,683,910	5,683,910
Receivable and other assets	-	4,141,240	4,141,240
Investment securities	10,824,052	1,541,475	12,365,527
	<b>10,824,052</b>	<b>11,366,625</b>	<b>22,190,677</b>
Trade payables and other liabilities	-	580,039	580,039
Lease liability	-	1,246,884	1,246,884
Import finance loans	-	8,169,905	8,169,905
Dividends payable	-	54,415	54,415
Bank overdraft	-	1,847,514	1,847,514
	-	<b>11,898,757</b>	<b>11,898,757</b>

2021	FVTPL	Amortised cost	Total carrying amount
Cash and cash balances	-	1,370,668	1,370,668
Receivable and other assets	-	2,505,562	2,505,562
Investment securities	13,998,106	-	13,998,106
	<b>13,998,106</b>	<b>3,876,230</b>	<b>17,874,336</b>
Trade payables and other liabilities	-	462,054	462,054
Lease liability	-	449,576	449,576
Import finance loans	-	5,555,448	5,555,448
Dividends payable	-	54,485	54,485
Bank overdraft	-	1,274,476	1,274,476
	-	<b>7,796,039</b>	<b>7,796,039</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24 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.

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

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

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

2022	Level 1	Level 2	Level 3	Total
<b>Investment securities at fair value through profit or loss:</b>				
Quoted equity securities and funds	10,824,052	-	-	10,824,052
	<b>10,824,052</b>	<b>-</b>	<b>-</b>	<b>10,824,052</b>

2021	Level 1	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:				
Quoted equity securities and funds	13,998,106	-	-	13,998,106
	13,998,106	-	-	13,998,106

There were no transfers between the levels during the year. The fair value for other financial instruments are a reasonable approximation of their carrying values.

### Capital management

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Company is not subject to externally imposed capital requirements.

## 25 COMMITMENTS AND CONTINGENCIES

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26 PROPOSED DIVIDENDS, REMUNERATION AND APPROPRIATIONS

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

	2022	2021
Cash dividends (25 fils per share, 2021 : 25 fils per share)	620,639	620,640
Board of directors' remuneration	60,000	60,000
Charity contribution	25,000	20,000
Transfer to retained earnings	776,962	3,306,232

## 27 SIGNIFICANT EVENTS

### (i) COVID - 19

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

### (ii) Other significant matters

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

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

## 28 COMPARATIVES

The corresponding's prior year figures have been regrouped, where necessary, in order to conform to current year's presentation. Such regroupings did not affect the previously reported net profit and comprehensive income for the year, total assets or total equity.

Corporate social responsibility

# ALIA School Event

Part of giving back to the community that we are a part of,  
we donated gifts to Alia for Early Intervention on their  
national day celebration



## Royal Charitable Organization

Company in cooperation  
with the Royal Charitable  
Organization distributed  
8000 Ramadan baskets

