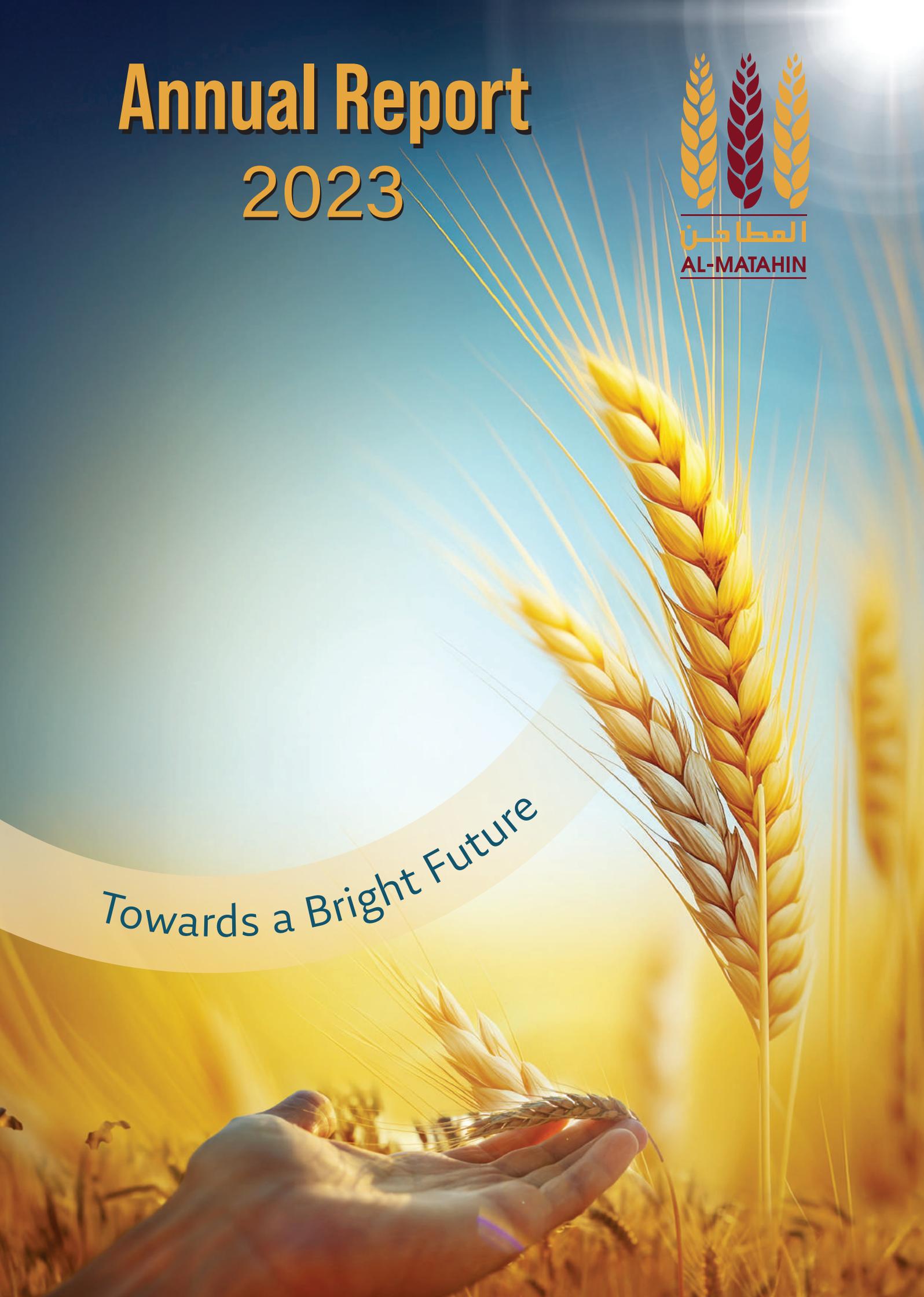


Annual Report 2023



العطاشين
AL-MATAHIN

Towards a Bright Future







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



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





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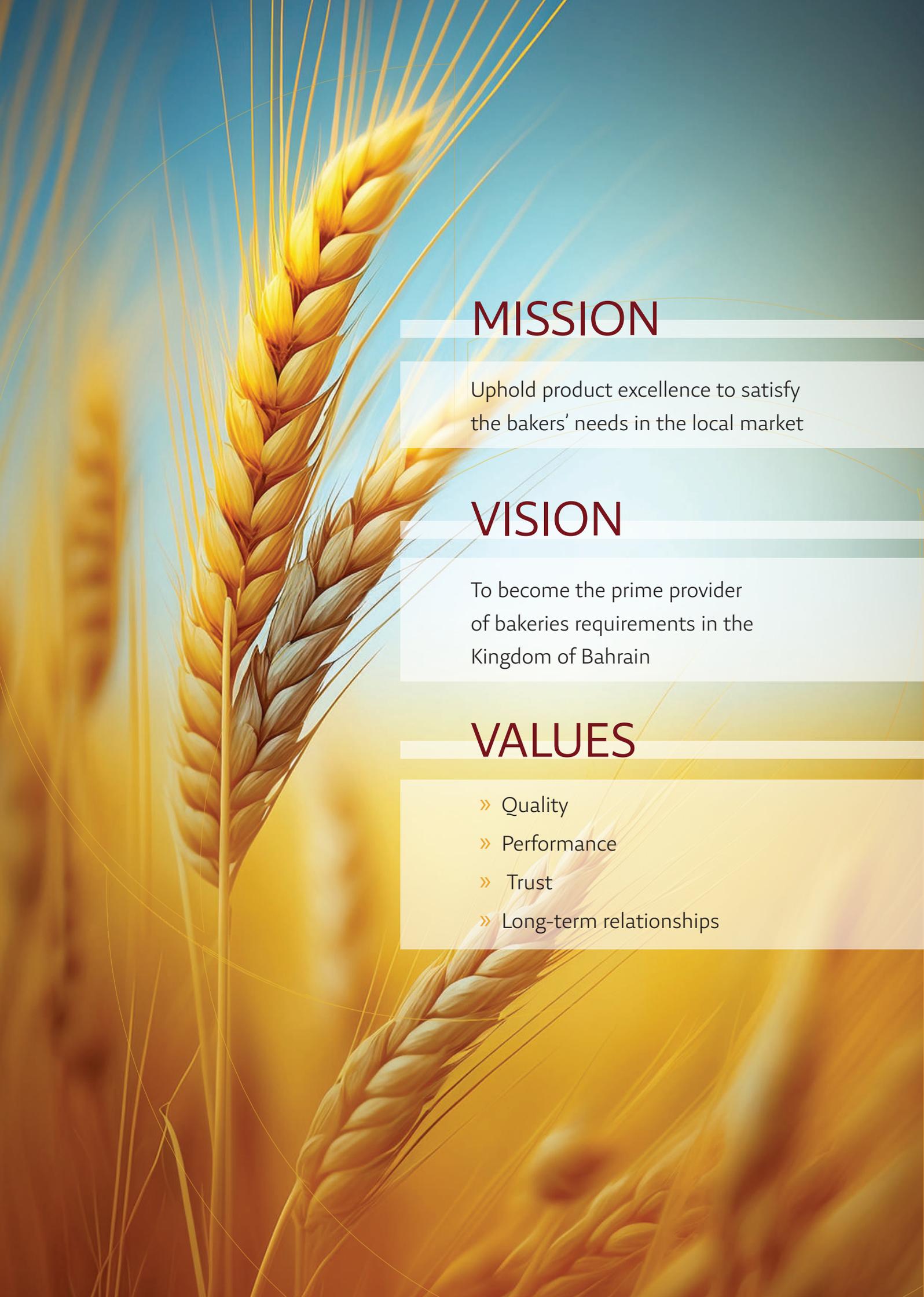
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INDEPENDENT AUDITOR'S REPORT TO THE
SHAREHOLDERS OF
BAHRAIN FLOUR MILLS COMPANY B.S.C. 41





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

Bahrain Flour Mills Company B.S.C.

REPORT OF THE BOARD OF DIRECTORS, INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

31 DECEMBER 2023

**Commercial registration
Board of Directors**

1170 (Bahraini Joint Stock Company)
 Mr. Basim AlSaie (Chairman)
 Mr. Salah Mushari Al Kulaib (Vice Chairman)
 Mr. Ayman A.Hameed Zainal
 Ms. Raghdan Saleh A. Rasool
 Mr. Eyad Redha Faraj
 Mr. Ahmad Mazhar
 Mr. Fahad Mohamed Al Mudhahka
 Mr. Wael Ahmed Itani

Offices and plant

Building 1773, Road 4236, Block 342
 P.O Box 26787, Mina Salman, Manama – Kingdom of Bahrain
 Telephone 17729984, Fax 17729312
 E-Mail: info@bfm.bh

Bankers

Ahli United Bank BSC (C)
 National Bank of Bahrain BSC
 Bank of Bahrain and Kuwait BSC
 Arab Bank
 National Bank of Kuwait

Auditors

Ernst & Young - Middle East

Shares registrar

Bahrain Clear B.S.C (c)



Board of Directors Report for the year ending 31 December 2023

Basim Mohammed AlSaie
Chairman

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 Board of Directors report for the fiscal year ending 31 December 2023.

Company Performance:

In light of the current conditions and supply chain disruptions due to the Russian-Ukrainian crisis and the continuation of the war in the Black Sea region, which has led to increased levels of risks surrounding global food security, Bahrain Flour Mills Company has proudly continued its work without stopping by taking serious measures and developing proactive plans by securing wheat shipments in advance. By the grace of God, and then the Board of Directors and the Executive Management of the Company, the Company was able to overcome these difficulties and provide this important commodity to our beloved Kingdom.

Due to the high demand for the Company's products, the Company increased its sales volume by 3%, driving an increase in sales value by 1%. The Company is continuing the mill expansion plan to increase production capacity to reach 520 metric tons per day by adding a new production line with the latest technologies in flour products. This expansion is expected to be completed by the first quarter of 2024.

Overall, Al-Matahin achieved a net profit for the year amounting to BD 2,501,179. In line with the results achieved, the Board of Directors has made the following recommendations to the shareholders for the year ending 31 December 2023:

- Distribute cash dividends to shareholders at the rate of 25 fils per share (or 25% of the paid-up capital), totaling BD 620,620.
- 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 1,855,559 to the Retained Earnings Account.

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 ensure 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 this is to ensure the preservation of the Company's leading market position and the fulfillment 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.

In 2023, the Board of Directors and Executive Management of Al-Matahin embarked on a strategic initiative to develop future plans aimed at reinforcing the Company's pivotal role in supporting the Kingdom's food security objectives. This initiative reflects our commitment to innovation and excellence in meeting the evolving needs of our community and ensuring a sustainable food supply for future generations.

Social Responsibility:

Our social priorities are focused on supporting the community that we are a part of. As such:

1. The Cooperation with the Royal Humanitarian Foundation is still ongoing, as the Company has donated approximately 8,000 Ramadan baskets to be distributed to needy families during the holy month of Ramadan.
2. As an expression of its pride in the care, support, and services provided by (the Alia Center for Early Intervention) for people with special needs and for age groups from 5 to 20 years, especially (autistic patients), the Company participated in the center's celebration on the occasion of Bahrain National Day, by distributing gifts to the center students during the ceremony. In addition, BFM donated some of the Company's products on a monthly basis to support the center's project to train patients with autism spectrum disorders of all age groups in the arts of baking and cooking.
3. The Company also donated an amount of 4,580 Bahraini dinars to the Bahraini Red Crescent Society as urgent relief assistance to the Syrian people for their emergency living needs thanking them for their humanitarian work.

Thanks and Gratitude:

On behalf of myself, 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.

We also assure you that the Company's success is not possible without the hard work and dedication of its management and staff, and we 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 2023. 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 attach the table below that shows the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31 December 2023:

First: Board of Directors' Remuneration Details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD (proposed)	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- Basim Mohammed AlSaie		9,000	-	-	9,000	-	-	-	-	-	-	9,000	-
2- Salah Mohammed Al Kulaib	8,518	11,900	-	-	20,418	-	-	-	-	-	-	20,418	-
3- Ayman Abdulhameed Zainal	8,518	7,000	-	-	15,518	-	-	-	-	-	-	15,518	-
4- Eyad Redha Faraj	8,518	10,400	-	-	18,918	-	-	-	-	-	-	18,918	-
5- Raghdan Saleh Qassim	8,518	14,500	-	-	23,018	-	-	-	-	-	-	23,018	-
Second: Non-Independent Directors:													
6- Ahmad Mazhar	1,111	10,500	-	-	11,611	-	-	-	-	-	-	11,611	-
7- Wael Etani	-	3,000	-	-	3,000	-	-	-	-	-	-	3,000	-
8- Fahad Al Mudhahka	-	6,000			6,000							6,000	
Third: Directors Membership up to March 2023 end													
9- Marwan Tabbara	15,188	4,200			19,388	-	-	-	-	-	-	19,388	-
10- Khalid Al Jassim	8,518	4,700			13,218	-	-	-	-	-	-	13,218	-
11- Basel Ghali	1,111	2,000			3,111	-	-	-	-	-	-	3,111	-
Fourth: Executive Directors:													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	60,000	83,200	-	-	143,200	-	-	-	-	-	-	143,200	-

Second: Executive Management Remuneration Details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/in-kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	331,242	62,440	11,556	405,238
Other remunerations: * It includes in-kind benefits, a specific amount, and 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 of the reporting date.				

Salah Mushari Al Kulaib

Vice Chairman

Basim Mohammed AlSaie

Chairman

27 February 2024



**CORPORATE
GOVERNANCE
REPORT
2023**

BAHRAIN FLOUR MILLS COMPANY B.S.C. COMMERCIAL REGISTRATION NO. 1170 -1

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDING 31 DECEMBER 2023

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. Description of the actions taken to complete the Corporate Governance Code during the year 2023 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.
- High Level Controls Module of the Central Bank of Bahrain ('CBB') Rulebook, Volume 6 However, there were no updates during the year.

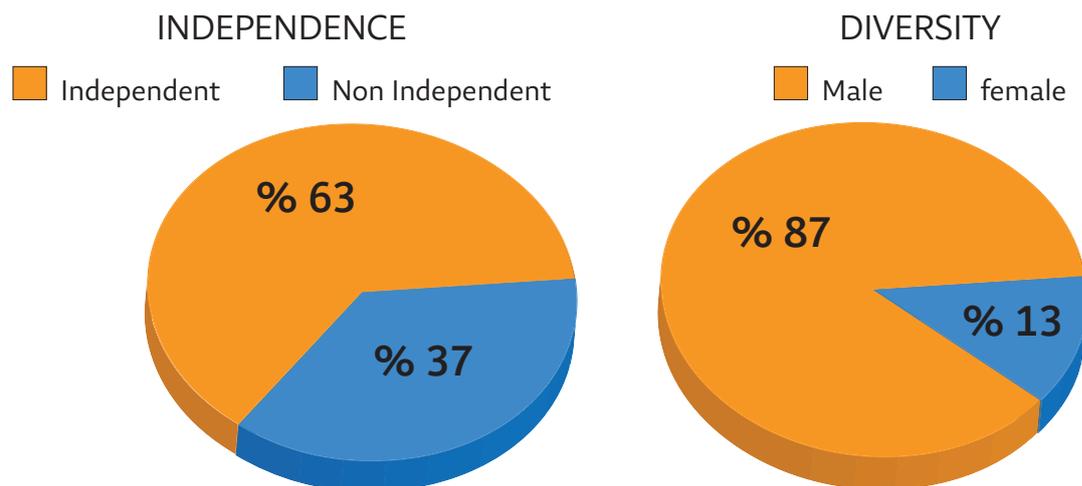
2. Description of the transactions of the directors, their spouses, and sons on the Company's shares during the year 2023 according to the following table:

There were no transactions related to the Board of Directors of the Company, their spouses, and or sons on the Company's shares during 2023.

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 2023, 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, the Commercial Companies' Law of the Kingdom of Bahrain and the CBB Rulebook, Volume 6 – Module HC, as well as the Memorandum and Articles of Association of the Company (the "Articles").

The Board's duties, as per their terms of reference, include but are not limited to:

- 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 Material Transactions Requiring the Board's Approval

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



Mr. Basim Mohamed Al Saie

Non-Executive / Independent Since 2023

- » Chairman of the Board of Directors
- » Chairman of the Nomination, Remuneration, and Governance Committee
- » Vice-Chairman of the Purchasing and Projects Committee
- » Chairman of the Subsidy and Commercialization Committee

Experience

- » Founder and director of Installux Gulf company since 1997

Qualifications

- » Bachelor of Science in Mechanical Engineering from Boston University, USA

Directorships and positions in other companies

- » Board Member – Real Estate Regulatory Authority
- » Board Member – Tamkeen
- » Board Member – Creative Closets
- » Vice-Chairman of the Board – Gulf Aluminium Rolling Mill (GARMCO)
- » Member of the Executive Board – Bahrain Chamber of Commerce & Industry
- » Board Member – Kalaam Telecom
- » Managing Director & Board Member – Polycon Bahrain



Mr. Salah Mushari Al Kulaib

Non - Executive / Independent Since 2015

- » Vice-Chairman of the Board of Directors
- » Chairman of the Purchasing and Projects Committee
- » Member of the Subsidy and Commercialization 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. Ayman Abdulhameed Zainal

Non - Executive / Independent Since 2017

- » Member of the Board of Directors
- » Vice-Chairman 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.



Mr. Eyad Redha Faraj

Non-Executive / Independent Since 2020

- » Member of the Board of Directors
- » Chairman of the Audit, Compliance and Risk 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 a Credit Analyst and was promoted to Relationship Manager
- » Worked in Altus Pharmaceuticals as an 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 in Turkey



Ms. Raghdan Saleh Abdulrasool

Non - Executive / Independent Since 2020

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

Experience

- » Worked 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

- » Deputy CE for Policies and Foreign Relations at the National Bureau for Revenue



Mr. Ahmad Mazhar

Non-Executive / Non-Independent (Since October 2022)

- » Member of the Board of Directors
- » Vice-Chairman of the Nomination, Remuneration and Governance Committee
- » Member of the Audit, Compliance and Risk 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
- » Served as an interim Chief Restructuring Officer of AFGRI Group, a portfolio company of HFP and one of the largest Agri services companies in Southern Africa
- » Held various positions at several international organizations, 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. Wael Ahmed Itani

Non-Executive / Non-Independent (Since 2023)

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

Experience

- » 31 years in the FMCG industry
- » Specialized in Distributor Management Models with a proven track record in developing purpose-led brands and driving consumer-centric sales across various geographic regions: GCC, MEA & India
- » Worked as Business Director for Edgewell Personal Care (EPC) – MEA
- » Previously worked as Commercial Director for Energizer Holdings Inc. – MEA/India
- » Served as Project Team Leader to launch Imperial Tobacco – North Africa
- » Previously launched Sony Consumer Electronics Levant and headed the Beirut office
- » Joined P&G in 1993 as credit sales executive – UAE

Qualifications

- » LAU (Lebanese American University) Masters in International Affairs (International Political Economy), Lebanon (1998 – 2000)
- » AUB (American University of Beirut) Bachelor of Science in Political Science and Public Administration, Lebanon (1990 – 1993)

Directorships and positions in other companies

- » CEO – General Poultry Company – Kingdom of Bahrain



Mr. Fahad Almudhahka

Non-Executive / Non-Independent Since 2023

- » Member of the Board of Directors
- » Member of the Purchasing and Projects Committee

Experience

- » Working as Director of Government & Parliamentary Affairs - Bahrain Mumtalakat Holding Company
- » Worked as Manager in the Legal Department – Tamkeen
- » Worked as Liaison Assistant - Education & Training Quality Authority

Qualifications

- » Masters of Commercial Law from Applied Science University, Bahrain
- » Bachelor of Law from Al Yarmook University, Jordan

Directorships and positions in other companies

- » Director of Government and Parliamentary Affairs - Bahrain Mumtalakat Holding Company

d. Description of the following:**1. Total remunerations paid to the directors for the year 2022.**

The total remuneration paid to the Board of Directors of the Company for services during the year 2022 was, in the aggregate, BHD 60,000.

2. The proposed total remunerations are to be paid to the directors for the year 2023, and they will be presented at the annual general meeting for approval.

The proposed remuneration of the Board of Directors of the Company for services during the year 2023 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 2023 according to the following table:

In 2023, a new Board of Directors was elected by shareholders at the Annual General Meeting held on 28 March 2023. The tables below show the fees for the previous and newly elected Board of Directors:

Board of Directors (2023- 2026)

#	Name	Aggregate amount of the sitting fees paid for attendance of the Board and Board Committees	
		Board / Committee*	Sitting Fees (BHD)**
1	Mr. Basim Mohamed Al Saie	BOD, NRGC, SCC, and PPC	9,000
2	Mr. Salah Mushari Al Kulaib	BOD, PPC, and SCC	8,200
3	Mr. Fahad Almudhahka	BOD and PPC	6,000
4	Mr. Eyad Redha Faraj	BOD, ACRC, and NRGC	5,400
5	Ms. Raghdan Saleh Abdulrasool	BOD, ACRC, PPC, and SCC	10,000
6	Mr. Ayman Abdulhameed Zainal	BOD and ACRC	4,000
7	Mr. Ahmad Mazhar	BOD, SCC, NRGC, and ACRC	6,500
8	Mr. Wael Ahmed Itani	BOD and NRGC	3,000
Total			52,100

* BOD: Board of Directors, ACRC: Audit, Compliance and Risk Committee, PPC: Purchasing and Projects Committee, NRGC: 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.

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, NRGC, and SCC	4,200
2	Mr. Salah Mushari Al Kulaib	BOD, PPC, and SCC	3,700
3	Mr. Khalid Abdulaziz Al Jassim	BOD, ACRC, NRGC, and SCC	4,700
4	Mr. Eyad Redha Faraj	BOD, ACRC, NRGC, and PPC	5,000
5	Ms. Raghdan Saleh Abdulrasool	BOD, ACRC, PPC, and SCC	4,500
6	Mr. Ayman Abdulhameed Zainal	BOD and ACRC	3,000
7	Mr. Ahmad Mazhar	BOD, SCC, NRGC, and ACRC	4,000
8	Mr. Basil Ghali	BOD and PPC	2,000
Total			31,100

* BOD: Board of Directors, ACRC: Audit, Compliance and Risk Committee, PPC: Purchasing and Projects Committee, NRGC: 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 2023, in addition to the number of times directors attended in person or by visual communication and a description of the directors present by proxy.

In 2023, a new Board of Directors was elected by shareholders at the Annual General Meeting held on 28 March 2023. The tables below show the fees for the previous and newly elected Board of Directors:

1. Board of Directors (2023 – 2026):

The new Board held a total of six meetings in 2023, which were held on March 28, May 2, May 14, August 13, November 13, and December 14. The six meetings were held in person:

Mr. Basim Mohamed Al Saie	Chairman	(6 Meetings)
Mr. Salah Mushari Al Kulaib	Vice-Chairman	(6 Meetings)
Mr. Ayman Abdulhameed Zainal	Member	(5 Meetings)
Mr. Fahad Almudhahka	Member	(5 Meetings)
Mr. Eyad Redha Faraj	Member	(5 Meetings)
Ms. Raghdan Saleh Abdulrasool	Member	(6 Meetings)
Mr. Ahmad Mazhar	Member	(6 Meetings)
Mr. Wael Ahmed Itani	Member	(5 Meetings)

2. Board of Directors (2020 – 2023):

The previous Board held a total of four meetings in 2023, which were held on January 30, February 22, March 27, and March 28.

Mr. Marwan Khalid Tabbara	Chairman	(4 Meetings)
Mr. Salah Mushari Al Kulaib	Vice-Chairman	(4 Meetings)
Mr. Khalid Abdulaziz Al Jassim	Member	(3 Meetings)
Mr. Eyad Redha Faraj	Member	(4 Meetings)
Ms. Raghdan Saleh Abdulrasool	Member	(4 Meetings)
Mr. Ayman Abdulhameed Zainal	Member	(4 Meetings)
Mr. Ahmad Mazhar	Member	(4 Meetings)
Mr. Basil Ghali	Member	(2 Meetings)

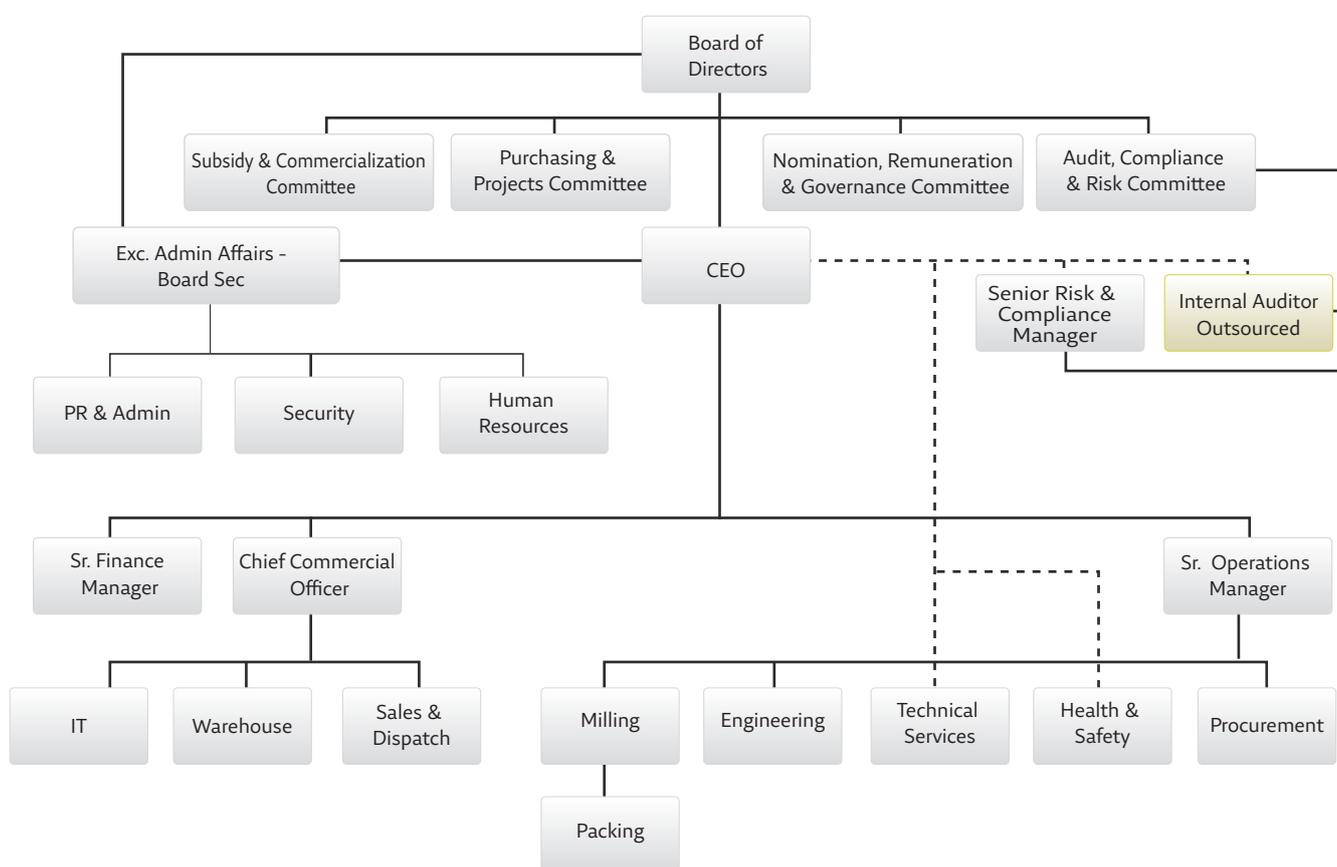
f. Description of the Board's duties and competencies carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation.

There were no tasks and mandates delegated by the Board of Directors to the Executive Management during the year 2023.

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

Details of transactions with related parties are included in Note No. 24 of the audited financial statements for the year ended 31 December 2023.

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 435,034. Please refer to Note 24 of the audited financial statements for the year ended 31 December 2023 for the details.

4. External Auditors:

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

Ernst & Young provides audit, consulting, tax, business risk, technology and security risk services, and human capital services worldwide. The company, one of the Big Four accounting firms, dates back to the early twentieth century. Scotsman Arthur Young and American Alwin Ernst founded their separate companies in 1906 and 1903, respectively. The companies merged in 1989. Today, the company employs over 200,000 people and operates in over 150 countries.

The review is conducted in accordance with the International Standard on Auditing No. 2410, "Review of interim financial information by an auditor independent of the organization." A review of interim financial information consists primarily of making inquiries of personnel responsible for financial and accounting matters and performing analytical reviews and other review procedures. The scope of the audit is much less than the scope of an audit conducted in accordance with international auditing standards.

b. Fees and charges for the audit or services provided by the external auditor during the year 2023, in addition to a description of the auditor's years of service as the Company's external auditor.

Name of the audit firm	EY
Years of service as the Company's external auditor	1 year
Name of the partner in charge of the Company's audit	Kazim Merchant
The partner's years of service as the partner in charge of the Company's audit	1 year
Total audit fees for the financial statements for the year 2023 (BHD)	17,000
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2023 (BHD), if any.	2,000 (AUP)

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

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

ACRC Members:

■ Mr. Eyad Redha Faraj	Chairman
■ Mr. Ayman Abdulhameed Zainal	Vice Chairman
■ Ms. Raghdan Saleh Abdulrasool	Member
■ Mr. Ahmad Mazhar	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.

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.

1. Board of Directors (2023 – 2026):

The Committee emerged from the new Board of Directors and held a total of four meetings in 2023, which were held on May 10, August 10, October 30, and November 12, 2023. The four meetings were held in person:

Mr. Eyad Redha Faraj	Chairman	(4 Meetings)
Mr. Ayman Abdulhameed Zainal	Vice-Chairman	(4 Meetings)
Ms. Raghdan Saleh Abdulrasool	Member	(4 Meetings)
Mr. Ahmad Mazhar	Member	(4 Meetings)

2. Board of Directors (2020 – 2023):

The Committee of the previous Board of Directors held a total of two meetings in 2023, which were held on February 21 and March 26, 2023. The two meetings were held in person:

Mr. Khalid Abdulaziz Al Jassim	Chairman	(2 Meetings)
Mr. Eyad Redha Faraj	Vice Chairman	(2 Meetings)
Ms. Raghdan Saleh Abdulrasool	Member	(2 Meetings)
Mr. Ayman Abdulhameed Zainal	Member	(2 Meetings)

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

Mr. Ali Abdulelah Almoalem has been appointed as the Corporate Governance Officer of Bahrain Flour Mills Company B.S.C., effective 4th November 2018. Mr. Almoalem holds a 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, competencies, and duties of the committee's members.

NRGC Members:

- | | |
|-----------------------------|---------------|
| ■ Mr. Basim Mohamed Al Saie | Chairman |
| ■ Mr. Ahmad Mazhar | Vice Chairman |
| ■ Mr. Eyad Redha Faraj | Member |
| ■ Mr. Wael Ahmed Itani | Member |

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.

1. Board of Directors (2023 – 2026):

The committee emerged from the new Board of Directors and held a total of one meeting in 2023, which was held on 22 June 2023. The meeting was held in person:

Mr. Basim Mohamed Al Saie	Chairman	(1 Meeting)
Mr. Ahmad Mazhar	Vice-Chairman	(1 Meeting)
Mr. Eyad Redha Faraj	Member	(1 Meeting)
Mr. Wael Ahmed Itani	Member	(1 Meeting)

2. Board of Directors (2020 – 2023):

The Committee of the previous Board of Directors held a total of two meetings in 2023, which were held on January 17 and February 14, 2023. The two meetings were held in person:

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	(2 Meetings)

a. Summary of the committee performance report with regard to the Governance during the year 2023.

The NRGCC 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, competencies, and duties of the committee's members.

PPC Members:

- Mr. Salah Mushari Al Kulaib, Chairman
- Mr. Basim Mohamed Al Saie, Vice-Chairman
- Ms. Raghdan Saleh Abdulrasool, Member
- Mr. Fahad Almudhahka, Member

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.

1. Board of Directors (2023 – 2026):

The committee emerged from the new Board of Directors and held a total of seven meetings in 2023, which were held on May 21, May 30, July 13, October 22, October 31, November 13, and November 21, 2023. The seven meetings were held in person:

Mr. Salah Mushari Al Kulaib	Chairman	(7 Meetings)
Mr. Basim Mohamed Al Saie	Vice-Chairman	(6 Meetings)
Ms. Raghdan Saleh Abdulrasool	Member	(7 Meetings)
Mr. Fahad Almudhahka	Member	(7 Meetings)

2. Board of Directors (2020 – 2023):

The Committee of the previous Board of Directors held a total of two meetings in 2023, which were held on February 21 and February 28, 2023. The two meetings were held in person:

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

8. Subsidy and Commercialization Committee ('SCC')

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

SCC Members:

■ Mr. Basim Mohamed Al Saie	Chairman
■ Ms. Raghdan Saleh Abdulrasool	Vice-Chairman
■ Mr. Salah Mushari Al Kulaib	Member
■ Mr. Ahmad Mazhar	Member

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 to (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 SCC 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.

1. Board of Directors (2023 – 2026):

The Committee emerged from the new Board of Directors and held a total of three meetings in 2023, which were held on May 21, July 13, and November 6, 2023. The three meetings were held in person:

Mr. Basim Mohamed Al Saie	Chairman	(3 Meetings)
Mr. Raghdan Saleh Abdulrasool	Vice-Chairman	(3 Meetings)
Mr. Salah Mushari Al Kulaib	Member	(3 Meetings)
Mr. Ahmad Mazhar	Member	(3 Meetings)

2. Board of Directors (2020 – 2023):

The Committee of the previous Board of Directors held a total of one meeting in 2023, which was held on February 12, 2023. The meeting was held in person:

Mr. Marwan Khalid Tabbara	Chairman	(1 Meeting)
Ms. Raghdan Saleh Abdulrasool	Vice-Chairman	(1 Meeting)
Mr. Khalid Abdulaziz Al Jassim	Member	(1 Meeting)
Mr. Ahmad Mazhar	Member	(1 Meeting)

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.

There are no irregularities committed during the year 2023.

10. Description of the cash and in-kind contributions made by the Company during the year 2023 for the purpose of community development and environment preservation, indicating the recipients of these contributions.

Our priorities focused on supporting the community of which we are a part of. These priorities included the following:

1. The company's annual contribution, in cooperation with the Royal Charity Organization, is to distribute 8,000 Ramadan baskets to needy families during the holy month of Ramadan.
2. Our company also donated gifts to the Alia Center for Early Intervention in their celebration of National Day, in addition to supporting the center's project to train and empower people with autism to cook and bake by donating some of the company's products on a monthly basis.
3. Donating an amount of 4,580 Bahraini dinars to the Bahrain Red Crescent Society as urgent relief assistance to the Syrian people for their emergency living needs.

11. Ownership Structure

a. Statement of shareholders' equity as of 31 December 2023 (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	22.82%	3.01%	65.73%	91.46%
2	Arab	0.78%	7.65%	-	8.43%
3	Foreign	0.02%	-	-	0.02%
Total		23.62%	10.66%	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 of 31 December 2023 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	1,897,157	7.64%	Abdulhameed Zainal

c. Description of how shareholders are distributed according to their respective shareholding as of 31 December 2023 as follows:

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	1,756	3,600,562	%14.5
2	50,000 to >500,000	13	1,163,975	%4.69
3	500,000 to 5,000,000	2	3,745,157	%15.08
4	>5,000,000	1	16,322,806	65.73%

d. Shareholding by Members of the Board of Directors and Executive Management as of 31 December 2023

As of 31 December 2023, none of the Board of Directors and Executive Management hold any shares of the Company.

e. Description of the significant events that occurred during the year 2023.

Please refer to the Board of Directors Report enclosed with the annual audited financial statements for the year ending 31 December 2023.

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

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 the 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 that 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 the 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.



Basim Mohamed Al Saiea
Chairman of the Board
Date: 27 February 2024



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

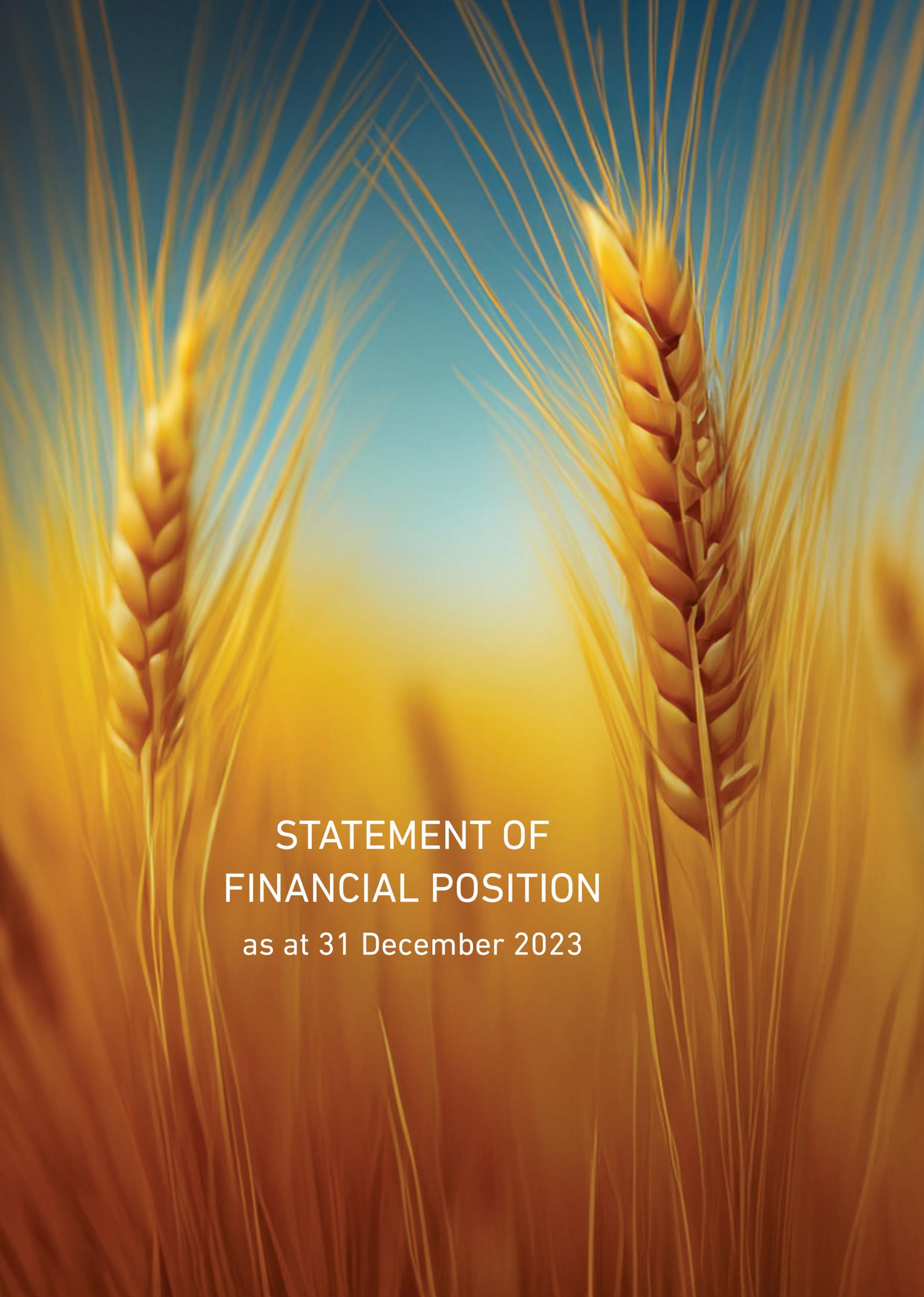
- » Member of the Management Procurement and Technical Committee.
- » Member of the Management HR & Admin Committee
- » Member of the Management Audit & Risk Committee

Experience

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

Qualifications

- » Certified Management Accountant.
- » Master of Business Administration degree with a concentration in Entrepreneurship from FW. 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 2023



Ernst & Young - Middle East
P O Box 140
10th Floor, East Tower
Bahrain World Trade Centre
Manama
Kingdom of Bahrain

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Fax: +973 1753 5405
manama@bh.ey.com
C.R. No. 29977-1

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN FLOUR MILLS COMPANY B.S.C.

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 2023, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *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 judgement, were of most significance in the audit of the financial statements for the year ended 31 December 2023. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN FLOUR MILLS COMPANY B.S.C. (continued)

Report on the Audit of the financial statements (continued)

Key audit matters (continued)

Government subsidy

Refer to note 2 for the Government subsidy policy and note 18 on disclosures of the Government subsidy in the financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>The Company's products are subsidised by the Government of the Kingdom of Bahrain (the "Government"). The Government subsidy recorded in the statement of comprehensive income amounts to BD 17,849,307. We considered this as a key audit matter because of the significance of the subsidy amount representing 70% of the total income from operations, and importance of the subsidy to the business.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> (i) assessing whether the subsidy recorded by the Company is in accordance with the memorandum of agreement with the Government by verifying all the inputs used in the calculation of the subsidy; (ii) inspecting the invoices to ensure that the Government subsidy is claimed as per actual entitlement; (iii) agreeing the receipts of the Government subsidy to the Company's bank statements and ensuring that the subsidy receivable / payable balance is correctly recorded; (iv) agreeing the subsequent payment of amount due to the Government to the Company's bank statement ; and (v) assessing the sufficiency and appropriateness of the financial statements disclosures related to the subsidy.

Other matter

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 February 2023.

Other information included in the Company's 2023 annual report

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Report of the Board of Directors which form 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 express any form of assurance conclusion thereon.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN FLOUR MILLS COMPANY B.S.C. (continued)

Report on the Audit of financial statements (continued)

Other information included in the Company's 2023 annual report (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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 obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN FLOUR MILLS COMPANY B.S.C. (continued)

Report on the Audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Company's 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 auditor's 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 auditor's 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 to 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 auditor's 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.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAHRAIN FLOUR MILLS COMPANY B.S.C. (continued)

Report on Other Legal and Regulatory Requirements

We report that:

- a) as required by the Bahrain Commercial Companies Law:
 - i) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
 - ii) the financial information contained in the Report of the Board of Directors is consistent with the financial statements; and
 - iii) satisfactory explanations and information have been provided to us by management in response to all our requests.
- b) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and the CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Company or on its financial position.
- c) as required by Article 8 of section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:
 - i) has appointed a Corporate Governance Officer; and
 - ii) has a board approved written guidance and procedures for corporate governance.

The Partner in charge of the audit resulting in this independent auditor's report is Kazim Merchant.

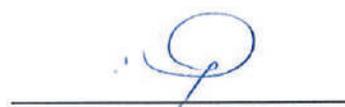
A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, script font.

Partner's Registration No. 244
27 February 2024
Manama, Kingdom of Bahrain

Bahrain Flour Mills Company B.S.C.
STATEMENT OF FINANCIAL POSITION
 At 31 December 2023

	Notes	2023 BD	2022 BD
ASSETS			
Non-current assets			
Property, plant and equipment	4	6,997,749	5,172,814
Right-of-use assets	5	1,205,026	1,240,334
Investment securities	6	1,889,001	1,541,475
		<u>10,091,776</u>	<u>7,954,623</u>
Current assets			
Investment securities	6	13,316,344	10,824,052
Inventories	7	4,602,714	8,618,655
Receivables and other assets	8	473,940	4,127,326
Bank balances, short-term deposits and cash	9	7,064,161	5,698,048
		<u>25,457,159</u>	<u>29,268,081</u>
TOTAL ASSETS		<u><u>35,548,935</u></u>	<u><u>37,222,704</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	2,481,877	2,481,877
Share premium		1,350,000	1,350,000
Statutory reserve	10	1,241,625	1,241,625
Other reserves	10	3,463,628	3,463,628
Retained earnings		18,539,295	16,683,756
Total equity		<u>27,076,425</u>	<u>25,220,886</u>
Non-current liabilities			
Employees' end of service benefits	11	153,320	113,004
Lease liabilities - non-current portion	5	1,196,722	1,185,464
		<u>1,350,042</u>	<u>1,298,468</u>
Current liabilities			
Lease liabilities - current portion	5	54,790	61,420
Term loan	12	1,832,871	-
Trade payables and other liabilities	13	941,170	624,511
Import finance loans	14	2,210,479	8,169,905
Amount due to the Government	15	2,083,158	-
Bank overdraft	9	-	1,847,514
		<u>7,122,468</u>	<u>10,703,350</u>
Total liabilities		<u>8,472,510</u>	<u>12,001,818</u>
TOTAL EQUITY AND LIABILITIES		<u><u>35,548,935</u></u>	<u><u>37,222,704</u></u>


 Basim AlSaie
 Chairman


 Salah Mohamed Al Kulaib
 Vice Chairman


 Wayne Henry Craig
 Chief Executive Officer

The accompanying notes 1 to 31 form part of these financial statements.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 BD	2022 BD
Revenue	16	7,677,225	7,634,836
Cost of revenue	17	(23,841,246)	(22,347,829)
Gross loss before government subsidy		(16,164,021)	(14,712,993)
Government subsidy	18	17,849,307	16,517,912
Gross profit		1,685,286	1,804,919
Other operating income		402,044	89,575
Other operating expenses	19	(1,553,341)	(1,192,180)
Charge for expected credit losses	8	(45,000)	-
Operating profit		488,989	702,314
Net change in fair value of investment securities at fair value through profit or loss	6	1,734,232	595,945
Interest income from investment securities at amortised cost - net	20	117,135	23,382
Finance cost	21	(179,974)	(53,450)
Other income	22	340,797	154,410
Net profit and total comprehensive income for the year		2,501,179	1,422,601
Basic and diluted earnings per share (fils)	23	100.75	57.30



Basim AlSaie
Chairman



Salah Mohamed Al Kulaib
Vice Chairman



Wayne Henry Craig
Chief Executive Officer

Bahrain Flour Mills Company B.S.C.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 BD	2022 BD
OPERATING ACTIVITIES			
Net profit for the year		2,501,179	1,422,601
Adjustments for:			
Depreciation on property, plant and equipment	4	413,354	430,874
Depreciation on right-of-use-assets	5	91,433	54,949
Net change in fair value of investment securities at fair value through profit or loss	6	(1,734,232)	(595,945)
Interest income from investment securities at amortised cost- net	20	(117,135)	(23,382)
Interest income from bank balances and short-term deposits	22	(254,381)	(33,716)
Finance cost	21	179,974	53,450
Charge for slow moving and obsolete inventories	17	34,746	14,846
Gain on sale of property, plant and equipment		-	(12,291)
Charge for expected credit losses	8	45,000	-
Provision for employees' end of service benefits	11	41,044	34,227
Operating profit before working capital changes		1,200,982	1,345,613
Working capital changes:			
Inventories		3,960,028	24,242
Receivables and other assets		3,651,929	(1,639,837)
Trade payables and other liabilities		284,965	116,895
Net cash generated from / (used in) operations		9,097,904	(153,087)
Employees' end of service benefits paid	11	(728)	(24,861)
Net cash flows from / (used in) operating activities		9,097,176	(177,948)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,160,485)	(245,651)
Purchase of investment securities at amortised cost		(1,114,922)	(1,545,106)
Proceeds from sale of property, plant and equipment		-	12,399
Proceeds from sale of investment securities at fair value through profit or loss		-	3,769,999
Interest income received from investment securities at amortised cost- net		113,855	2,854
Interest income received from bank balances and short-term deposits		223,454	33,716
Net cash flows (used in) / from investing activities		(2,938,098)	2,028,211

Bahrain Flour Mills Company B.S.C.

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2023

	<i>Notes</i>	2023 BD	2022 BD
FINANCING ACTIVITIES			
Repayment of import finance loans	14	(9,259,374)	(17,080,865)
Import finance loans availed	14	3,299,948	19,695,322
Term loan availed		1,832,871	-
Amount due to the Government		2,083,158	-
Finance cost paid		(223,687)	(53,450)
Payment of principal portion of lease liabilities		(57,727)	(36,288)
Dividend paid		(620,640)	(620,640)
Net cash flows (used in) / from financing activities		(2,945,451)	1,904,079
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,213,627	3,754,342
Cash and cash equivalents at 1 January		3,796,119	41,777
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	7,009,746	3,796,119

Non-cash items:

- Capitalization of borrowing cost amounting to BD 77,804 (31 December 2022: nil) has been excluded from purchase of property, plant and equipment.
- Donation given as flour baskets amounting to BD 21,167 (31 December 2022: BD 19,200) has been excluded from the movement in inventories.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Note	Share capital BD	Share premium BD	Reserves			Retained earnings BD	Total BD
				Statutory reserve BD	Other reserves BD			
At 1 January 2023		2,481,877	1,350,000	1,241,625	3,463,628	16,683,756	25,220,886	
Net profit and total comprehensive income for the year		-	-	-	-	2,501,179	2,501,179	
Charity approved for 2022	27	-	-	-	-	(25,000)	(25,000)	
Dividends for 2022	27	-	-	-	-	(620,640)	(620,640)	
At 31 December 2023		2,481,877	1,350,000	1,241,625	3,463,628	18,539,295	27,076,425	

	Note	Share capital BD	Share premium BD	Reserves			Retained earnings BD	Total BD
				Statutory reserve BD	Other reserves BD			
At 1 January 2022		2,481,877	1,350,000	1,241,625	3,463,628	15,901,795	24,438,925	
Net profit and total comprehensive income for the year		-	-	-	-	1,422,601	1,422,601	
Charity approved for 2021	27	-	-	-	-	(20,000)	(20,000)	
Dividends for 2021	27	-	-	-	-	(620,640)	(620,640)	
At 31 December 2022		2,481,877	1,350,000	1,241,625	3,463,628	16,683,756	25,220,886	

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

1 CORPORATE INFORMATION AND ACTIVITIES

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 and listed in Bahrain Bourse. The Company was incorporated by an Amiri Charter dated 9 May 1970 and commenced commercial operations on 1 May 1972. The Company is engaged in the production of flour and related products which are mainly sold in the local market.

This financial statements comprise the results of the Company for the year ended 31 December 2023.

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 of Bahrain Mumtalakat Holding Company B.S.C (c) (the "Ultimate Parent"). The Ultimate Parent is controlled by the Government of the Kingdom of Bahrain (the "Government").

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2024.

2 MATERIAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention except for investment securities at fair value through profit or loss carried at fair values.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards "(IFRS)", as issued by the International Accounting Standards Board "(IASB)", and in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain "(CBB)" Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions and the rules and procedures of the Bahrain Bourse.

Functional and presentation currency

The financial statements have been presented in Bahraini Dinars "(BD)" which is the functional and presentation currency of the Company.

New and amended standards and interpretations effective from 1 January 2023

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year, except for certain standards and amendments to standards adopted by the Company as of 1 January 2023. The Company has not early adopted any new and amended standards and interpretations that has been issued but is not yet effective.

- *IFRS 17 Insurance Contracts: In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers;*

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)**New and amended standards and interpretations effective from 1 January 2023 (continued)**

- *Definition of Accounting Estimates - Amendments to IAS 8: The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates;*
- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2: The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures;*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12: The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities; and*
- *International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12: The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.*

The adoption of these standards and amendments did not have any effect on the Company's financial statements except for *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*, which had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards and interpretations, if applicable, when they become effective:

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current: In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively;*
- *Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback: In September 2022, the IASB issued amendments to IFRS 16 to specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively; and*
- *Amendments to IAS 7 and IFRS 7 – Disclosures - Supplier Finance Arrangements: In May 2023, the IASB issued these amendments to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024.*

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

Management is currently assessing the impact of the above standards and amendments on the financial statements of the Company.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on a current/non-current classification.

An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Fair value measurement

The Company measures financial instruments such as equity investments, at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency transactions

Transactions in foreign currencies are initially recorded at functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it), on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment loss, if any. Such cost includes the cost of replacing a part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss when incurred.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. If subsequent expenditure is related to a previously capitalised project, it is depreciated over the remaining useful life.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, except for capital work-in-progress, as follows:

- Buildings on leasehold land	20 years
- Plant and machinery	10 years
- Capital spares	10 years
- Motor vehicles	4-10 years
- Furniture and office equipment	2 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Capital work-in-progress

The capital work-in-progress is stated at cost less any identified impairment loss and comprises expenditure incurred on the acquisition and installation of property, plant and equipment which is transferred to the appropriate category of asset and depreciated as and when assets are available for use.

Leases - The Company as a lessee

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

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Leases - The Company as a lessee (continued)

i) Right-of-use asset

The Company recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset is depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Company's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

ii) Lease liability

At the commencement date of the lease, the Company recognises a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as an expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value

The Company applies the short-term lease recognition exemption to its short-term leases (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for slow and obsolete inventories. Costs are those expenses incurred in bringing inventories to its present location and condition, as follows:

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Inventories (continued)

Raw materials and consumables - purchase cost calculated on a weighted average cost basis.

Finished goods:

- | | |
|--------------|--|
| Manufactured | - cost of direct materials and labour plus attributable overheads based on a normal level of activity. |
| Trading | - purchase cost calculated on a weighted average cost basis. |

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the 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.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

The Company's financial assets include investments securities, trade and other receivables and bank balances, short-term deposits and cash.

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income "(FVOCI)", and fair value through profit or loss "(FVTPL)". The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Initial recognition and measurement (continued)

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient which are measured at the transaction price determined under contracts with customers (refer to accounting policy for revenue), the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest "(SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of listed and / or quoted financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. All regular way purchases and sales of other financial assets are recognized on the settlement date.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses upon derecognition (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

(i) Financial assets at amortised cost

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include debt securities, trade and other receivables and bank balances, short-term deposits and cash.

The Company's debt, equity and fund investments are carried at amortised cost and FVTPL respectively and not at FVOCI.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

The Company's financial assets at fair value through profit or loss includes quoted and unquoted equity securities and a managed fund. Dividends on quoted equity securities are recognised in the profit or loss as a net change in fair value of the equity investments, when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses "(ECLs)" for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for any relevant forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in case of those at amortised cost, net of directly attributable transaction costs. The Company's financial liabilities include, lease liabilities, term loan, import finance loans, trade and other payables, amount due to the Government and bank overdraft.

Subsequent measurement

All financial liabilities of the Company are subsequently measured at amortised cost. Such liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance cost in the profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(iii) Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short term deposits with original maturities of three months or less, bank balance for the payment of dividends and bank overdraft.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

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. Where 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 any provision is presented in 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.

Employees' end of service benefits

The Company provides end of service benefits to its non-Bahraini employees. The entitlement to these benefits is based upon the employees' final salaries and length of service. The expected costs of these benefits are accrued over the period of employment.

The Company also makes contributions to the Social Insurance Organisation "(SIO)" for its Bahraini employees', calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Cash dividend

The Company recognises a liability to make cash distributions to shareholders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Under Bahrain Commercial Companies Law, a distribution is authorised when it is approved by the shareholders in their Annual General Meeting. A corresponding amount is recognised directly in equity.

Value added tax (VAT)

Revenue, expenses and assets are recognised net of the amount of value added tax, except when the value added tax incurred on purchase of assets or services is not recoverable from the Government, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of value added tax receivable from, or payable to, the Government is included as part of other receivables or other payables in the statement of financial position.

Revenue

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods excluding value added tax etc. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Revenue (continued)

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods at the Company's or customer's premises.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer, (if any).

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to the accounting policy on "Financial assets".

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Government subsidy and grant

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 and flour 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 profit or loss in the period in which the sales are made to customers.

In addition, the Company also recognises the unconditional Government grant that compensate the Company for certain specific expenses incurred in the profit or loss, as other operating income when the grant become receivable.

Other income

Interest income

Interest income is recorded using the effective interest rate (EIR) method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Other income

Other income is recognised on an accrual basis when income is earned.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, 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 assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, the Board of Directors has made the following judgements, 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 the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast a significant doubt about the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Classification of equity investments

The Company's management determines the classification of equity investments on initial recognition as "financial asset at fair value through profit or loss" or "financial asset at fair value through other comprehensive income". The equity investments are classified as "financial asset at fair value through profit or loss" if they are acquired for the purpose of selling in the near term or if they are not elected by the Management to be classified as and measured at FVOCI. All other investments are classified as "financial asset at fair value through other comprehensive income".

Classification of debt

The Company's management determines the classification of debt investments on initial recognition as "financial asset at amortised cost", "financial asset at fair value through profit or loss" or "financial asset at fair value through other comprehensive income". The debt investments are classified based on the conditions mentioned in accounting policy on "Financial assets".

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 beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives of property, plant and equipment and right-of-use assets

The Company's management determines the estimated useful lives of its property, plant and equipment and right-of-use assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where management believes the useful lives differ from previous estimates.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Incremental borrowing rate for leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing rate "(IBR)" to measure lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Impairment of property, plant and equipment and right-of-use assets

The Company assesses 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

The Board of Directors do not believe that there is any impairment of property, plant and equipment and right-of-use assets as at 31 December 2023 and 31 December 2022.

Valuation of unquoted investments at fair value through profit or loss

Management uses its best judgement in determining fair values of the unquoted private equity investments by reference to using fair value provided by the investment managers or other appropriate valuation techniques including fair values determined based on unobservable inputs using a market multiples or other appropriate valuation methodologies. Management uses its best judgement, however, the actual amount realised in a future transaction may differ from the current estimate of fair value given the inherent uncertainty surrounding the valuation of unquoted equity investments.

At the reporting date, the Company's investments in unquoted securities had "nil" fair value (2022: nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in profit or loss.

Allowance for expected credit losses of trade receivables

The determination of 'allowance of expected credit losses' as discussed in note 2 involves estimates and assumptions.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with the forward-looking information. For instance, if forecast economic conditions (i.e. inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the consumer sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Allowance for expected credit losses of trade receivables (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivables were BD 189,257 (2022: BD 236,716), with an allowance for expected credit loss of BD 92,000 (2022: BD 47,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in profit or loss.

Provision for slow moving and obsolete inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated realisable value.

At the reporting date, gross inventories amounted to BD 5,149,578 (2022: BD 9,155,283), with a provision for slow moving and obsolete inventories of BD 546,864 (2022: BD 536,628). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in profit or loss.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

4 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land*		Plant, machinery and capital spares		Motor Vehicles		Furniture and office equipment		Capital work-in-progress**		Total	
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Cost:												
At 1 January 2023	8,779,071	8,014,367	172,958	875,601	3,096,237	20,938,234						
Additions	4,467	40,509	-	3,982	2,189,331	2,238,289						
Disposals	-	-	-	(2,655)	-	(2,655)						
At 31 December 2023	8,783,538	8,054,876	172,958	876,928	5,285,568	23,173,868						
Accumulated depreciation:												
At 1 January 2023	7,209,682	7,566,072	153,387	836,279	-	15,765,420						
Depreciation for the year	236,577	155,065	7,664	14,048	-	413,354						
Relating to disposals	-	-	-	(2,655)	-	(2,655)						
At 31 December 2023	7,446,259	7,721,137	161,051	847,672	-	16,176,119						
Net carrying values:												
At 31 December 2023	1,337,279	333,739	11,907	29,256	5,285,568	6,997,749						

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings on leasehold land*		Plant, machinery and capital spares		Motor Vehicles		Furniture and office equipment		Capital work-in-progress**		Total	
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
Cost:												
At 1 January 2022	8,779,071	8,006,393	160,458	850,549	2,932,040	20,728,511						
Additions	-	37,178	12,500	31,776	164,197	245,651						
Disposals	-	(26,888)	-	(6,724)	-	(33,612)						
Spare parts usage	-	(2,316)	-	-	-	(2,316)						
At 31 December 2022	8,779,071	8,014,367	172,958	875,601	3,096,237	20,938,234						
Accumulated depreciation:												
At 1 January 2022	6,973,126	7,426,012	142,455	828,773	-	15,370,366						
Depreciation for the year	236,556	169,264	10,932	14,122	-	430,874						
Relating to disposals	-	(26,888)	-	(6,616)	-	(33,504)						
Spare parts usage	-	(2,316)	-	-	-	(2,316)						
At 31 December 2022	7,209,682	7,566,072	153,387	836,279	-	15,765,420						
Net carrying values:												
At 31 December 2022	1,569,389	448,295	19,571	39,322	3,096,237	5,172,814						

* The land at Mina Salman on which the mill was built was leased by the Company from the Bahrain Defence Force for the period of 20 years till 2042.

** This includes capital work-in-progress of BD 5,212,760 (2022: BD 3,063,777) representing cost incurred towards the supply and installation of mechanical and electrical equipment including the engineering and civil work for a new production line on a leasehold property. The Company has obtained a term loan to finance the mill expansion project (refer note 12). The amount of borrowing costs capitalised during the year is BD 77,804 (2022: nil). The rate used to determine the amount of borrowing costs eligible for capitalisation is 7.29%, which is the EIR of the loan.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

4 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year has been allocated in the statement of comprehensive income as follows:

	2023	2022
	BD	BD
Cost of revenue (note 17)	397,564	415,600
Other operating expenses (note 19)	15,790	15,274
	413,354	430,874

5 LEASES

The Company leases industrial lands on which its buildings and plant and equipment are located. The leases typically run for a period ranging from 2 years to 20 years, with an option to renew the lease after the expiry. 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.

The carrying amounts of right-of-use assets recognised and the movements during the year are as follows:

	2023	2022
	BD	BD
At 1 January	1,240,334	429,168
Addition	56,125	1,151,716
Derecognition	-	(285,601)
Depreciation (note 19)	(91,433)	(54,949)
At 31 December	1,205,026	1,240,334

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2023	2022
	BD	BD
At 1 January	1,246,884	449,576
Addition	56,125	1,151,716
Derecognition	-	(318,120)
Accretion of interest (note 21)	85,305	26,200
Payments	(136,802)	(62,488)
At 31 December	1,251,512	1,246,884

Lease liabilities disclosed in the statement of financial position is as follows:

	2023	2022
	BD	BD
Non-current	1,196,722	1,185,464
Current	54,790	61,420
	1,251,512	1,246,884

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

5 LEASES (continued)

The amounts recognised in the statement of comprehensive income are as follows:

	2023	2022
	BD	BD
Depreciation expense on right-of-use assets (note 19)	91,433	54,949
Interest expense on lease liabilities (note 21)	85,305	26,200
Expense related to short term lease and low value assets	55,440	-
	232,178	81,149

The amount recognised in the statement of cash flows is as follows:

	2023	2022
	BD	BD
Total cash outflows for lease liabilities	(136,802)	(62,488)

6 INVESTMENT SECURITIES

	2023	2022
	BD	BD
<i>Non-current:</i>		
Investment securities at amortised cost	1,889,001	1,541,475
<i>Current:</i>		
Investment securities at amortised cost	758,060	-
Investment securities at fair value through profit or loss	12,558,284	10,824,052
	13,316,344	10,824,052

The investments at amortised cost consist of unquoted debt securities while investments at fair value through profit or loss consist of quoted equity securities and a managed fund.

Net asset value of investment securities at fair value through profit or loss at 31 December 2023 and 31 December 2022 is as follows:

	2023	2022
	BD	BD
Equity securities	12,345,528	10,664,460
Cash	234,119	94,649
Dividend receivable	-	81,038
Unsettled sale trades proceeds	91,893	26,997
Management fee payable and other liabilities	(95,695)	(23,332)
Unsettled buy trades proceeds	(17,561)	(19,760)
Total net asset value	12,558,284	10,824,052
Number of issued units	13,764,432	13,764,432
Net asset value per unit	0.91	0.79

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

6 INVESTMENT SECURITIES (continued)

The movement in investment securities at fair value through profit or loss during the year is as follows:

	2023 <i>BD</i>	2022 <i>BD</i>
At 1 January	10,824,052	13,998,106
Withdrawals during the year	-	(3,769,999)
Net change in fair value	1,734,232	595,945
At 31 December	12,558,284	10,824,052

The net change in fair value comprises of the following elements:

	2023 <i>BD</i>	2022 <i>BD</i>
Fair value change in equity securities	1,514,151	245,097
Dividend income	324,028	468,490
Management fee and other expenses	(103,947)	(117,642)
	1,734,232	595,945

7 INVENTORIES

	2023 <i>BD</i>	2022 <i>BD</i>
Wheat in silos	3,150,642	7,521,921
Good in transit	13,138	6,099
Packing material	118,991	164,061
Finished goods	935,103	436,267
Stores, spares and consumables	931,704	1,026,935
	5,149,578	9,155,283
Provision for obsolete and slow-moving inventories	(546,864)	(536,628)
	4,602,714	8,618,655

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

	2023 <i>BD</i>	2022 <i>BD</i>
At 1 January	536,628	521,782
Charge for the year (note 17)	34,746	14,846
Adjustment	(24,510)	-
At 31 December	546,864	536,628

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

8 RECEIVABLES AND OTHER ASSETS

	2023	2022
	BD	BD
Subsidy receivable	-	3,647,669
Trade receivables	189,257	236,716
Advances to suppliers	198,059	219,307
Prepayments	26,181	26,531
Interest accrued	67,702	24,159
Others	4,076	2,115
VAT receivable - net	80,665	17,829
	565,940	4,174,326
Allowance for expected credit losses	(92,000)	(47,000)
	473,940	4,127,326

Terms and conditions of the above financial assets are as follows:

- Subsidy receivable is non-interest bearing and is normally settled on 30 days terms.
- Trade receivables are non-interest bearing and are normally settled on 60 to 90 day terms.
- Interest accrued is received within 30 to 180 days based on terms of underlying financial instruments.
- VAT receivable is non-interest-bearing and normally settled within one month.

The movement in the allowance for expected credit losses is as follows:

	2023	2022
	BD	BD
At 1 January	47,000	47,000
Charge for the year	45,000	-
At 31 December	92,000	47,000

The ageing analysis of trade receivables and allowance for expected credit losses as at 31 December are as follows:

	Total	Current	Past due		
			BD	BD	BD
	BD	BD	Less than	91 to 180	More than
			90 days	days	180 days
			BD	BD	BD
2023					
Expected credit loss rate		0.00%	0.00%	100.00%	100.00%
Gross trade receivables	189,257	56,159	41,098	1,791	90,209
Expected credit losses	(92,000)	-	-	(1,791)	(90,209)
Net trade receivables	97,257	56,159	41,098	-	-

Bahrain Flour Mills Company B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
 At 31 December 2023

8 RECEIVABLES AND OTHER ASSETS (continued)

	<i>Total BD</i>	<i>Current BD</i>	<i>Past due</i>		
			<i>Less than 90 days BD</i>	<i>91 to 180 days BD</i>	<i>More than 180 days BD</i>
2022					
Expected credit loss rate		0.00%	4.37%	19.50%	49.51%
Gross trade receivables	236,716	53,410	94,724	3,308	85,274
Expected credit losses	(47,000)	-	(4,135)	(645)	(42,220)
Net trade receivables	<u>189,716</u>	<u>53,410</u>	<u>90,589</u>	<u>2,663</u>	<u>43,054</u>

9 BANK BALANCES, SHORT-TERM DEPOSITS AND CASH

	2023 BD	2022 BD
Cash on hand	1,057	1,370
Bank balances	846,429	5,696,678
Short-term deposits	6,216,675	-
	7,064,161	5,698,048
Bank balance for the payment of dividends (note 13)	(54,415)	(54,415)
Bank overdraft	-	(1,847,514)
Cash and cash equivalents	7,009,746	3,796,119

- Bank balances are placed with financial institutions in the Kingdom of Bahrain in current and saving accounts and denominated in Bahraini Dinar and US Dollar. Bank balances placed in saving accounts earn interest at an average rate of 1% (2022: 1%)
- Short term deposits are made with financial institutions in the Kingdom of Bahrain for a period ranging between 30-90 days at an average interest rate of 5.95% (2022: nil).
- At 31 December 2023, the Company had available BD 18,206,150 (2022: BD 11,830,095) of undrawn committed borrowing facilities.

10 SHARE CAPITAL AND RESERVES

a) Share capital

	2023 BD	2022 BD
Authorised: 100,000,000 shares		
Issued and fully paid: 24,832,500 shares of 100 fils	2,483,250	2,483,250
Treasury shares 6,930 (2022: 6,930 shares)	(1,373)	(1,373)
Net shares in public issue	2,481,877	2,481,877
	2023	2022
Performance per share		
Earnings per 100 fils share	100.75 fils	57.30 fils
Net asset value per 100 fils share	1,090 fils	1,016 fils
Stock exchange price per 100 fils share at 31 December	341 fils	340 fils
Stock exchange price to earnings ratio	3.4	5.9
Total market capitalisation at 31 December (BD)	8,467,883	8,443,050

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

10 SHARE CAPITAL AND RESERVES (continued)**a) Share capital (continued)**

Additional information on shareholding pattern

- (i) Names and nationalities of the major shareholders who have an interest of more than 5% in the Company and the number of equity shares held by them as at 31 December 2023 and 31 December 2022 are as follows:

2023	Nationality	No. of shares	% holding
- Bahrain Investment Holding Company - Istithmar W.L.L.	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	1,897,157	7.64
2022			
- Bahrain Investment Holding Company - Istithmar W.L.L.	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*	2023		
	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	4,517,049	1,768	18.19%
1% up to less than 5%	247,488	1	1.00%
5% up to less than 50%	3,745,157	2	15.08%
50% and above	16,322,806	1	65.73%
	24,832,500	1,772	100.00%
Categories*	2022		
	Number of shares	Number of shareholders	% of total outstanding shares
Less than 1%	4,589,039	1,734	18.48%
1% up to less than 5%	247,488	1	1.00%
5% up to less than 50%	3,673,167	2	14.79%
50% and above	16,322,806	1	65.73%
	24,832,500	1,738	100.00%

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

10 SHARE CAPITAL AND RESERVES (continued)**a) Share capital (continued)**

The total number of shares above consist of treasury shares of 6,930 shares as of 31 December 2023 (2022: 6,930 shares).

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

b) Statutory reserve

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year is to be transferred to statutory reserve every year. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued and paid-up share capital. In 2020, the shareholders resolved to discontinue further transfer of profit to statutory reserve as the reserve equalled 50% of the paid-up capital of the Company.

The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

c) Other reserves

The other reserve has been made in accordance with the articles of association of the Company for the purposes determined by the General Meeting including such as the depreciation of Company's assets, making up for any fall in the value thereof or converting in into capital. The Company may resolve to use that reserve in the event of price fluctuation and future expansion. There are no restrictions on the distribution of this reserve.

11 EMPLOYEES' END OF SERVICE BENEFITS

The carrying amount of the provision for employees' leaving indemnity and the movements during the year are as follows:

	2023	2022
	BD	BD
At 1 January	113,004	103,638
Charge for the year	41,044	34,227
Paid during the year	(728)	(24,861)
At 31 December	153,320	113,004

12 TERM LOAN

The Company has obtained a loan during the year to finance the mill expansion project as well as other operating needs through a repo facility arrangement with a financial institution having an aggregate limit of BD 2,250,000 (the "Facility Amount"). The Board of Directors has decided to utilise the proceeds from the term loan to finance the mill expansion project only.

The loan is secured against fixed income securities being the collateral and as per the arrangement the value of the collateral must always exceed the Facility amount and a collateral ratio of 1.33x or a loan-to-value ratio ("LTV") of 75% is required to be maintained. The carrying value of fixed income securities held as collateral is BD 2,647,061 at 31 December 2023 (note 6). The term loan is for a three-month period with a mutual option to rollover for further periods of three months indefinitely. The loan carries annual interest rate of 3 month SOFR plus 2% being 7.29% per annum at 31 December 2023. Management of the Company intends to rollover the loan until 2030.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

13 TRADE PAYABLES AND OTHER LIABILITIES

	2023	2022
	BD	BD
Trade payables	279,970	142,345
Dividends payable *	54,415	54,415
Contract liabilities	57,753	55,446
Retention payables	102,557	-
Interest accrued	27,927	-
Accrued expenses and other payables	418,548	372,305
	941,170	624,511

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

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled on 30 to 90 days terms.
- Retention payables are non-interest bearing and are normally settled after the completion of respective project by the contractors.
- Accrued expenses and other payables are non-interest bearing and have terms ranging between 30 to 90 days.

14 IMPORT FINANCE LOANS

	2023	2022
	BD	BD
At 1 January	8,169,905	5,555,448
Loans availed during the year	3,299,948	19,695,322
Loans repaid during the year	(9,259,374)	(17,080,865)
At 31 December	2,210,479	8,169,905

The Company uses import loans in the absence of advance from the Government (note 15) to support the payment of wheat and flour shipments. The Company has a facility arrangement with the financial institutions with an aggregate limit of BD 20 million. Import finance loans are unsecured and are repayable within three to six months. The loans carries an annual interest rate of 6 month BHIBOR plus 1.5% being 7.9% per annum at 31 December 2023. Interest cost on these loans is recovered back from the Government through subsidy arrangement.

15 AMOUNT DUE TO THE GOVERNMENT

The Company has entered into an arrangement with the Ministry of Finance and National Economy, on behalf of the Government, to receive advance payment against the import of wheat. The main purpose of such advance payment is to support the payment of wheat shipments. This is a new funding mechanism in which advance received is adjusted against the Government subsidy and remaining balance is shown as payable to the Government. As at 31 December 2023 BD 17,751,941 (31 December 2022: nil) of advance received from the Government has been adjusted against the subsidy on the sale of goods in the local market.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

16 REVENUE

The disaggregation of the Company's revenue from contracts with customers is as follows:

	2023 <i>BD</i>	2022 <i>BD</i>
a) Type of goods		
Flour	5,139,534	5,207,149
Bran	1,384,361	1,360,460
Special products	1,153,330	1,067,227
	7,677,225	7,634,836
b) Geographical markets		
Kingdom of Bahrain	7,618,058	7,414,925
Kingdom of Saudi Arabia	59,167	219,911
	7,677,225	7,634,836
c) Timing of revenue recognition		
Recorded at a point in time	7,677,225	7,634,836

17 COST OF REVENUE

	2023 <i>BD</i>	2022 <i>BD</i>
Raw material- subsidised sales (note 18)	19,006,915	19,808,644
Raw material- commercial sales	52,958	349,510
Imported flour (note 18)	2,273,525	-
Staff costs	806,859	656,762
Depreciation on property, plant and equipment (note 4)	397,564	415,600
Packing materials and additives	322,002	297,245
Maintenance, repairs and utilities	539,973	557,917
Charge for slow moving and obsolete inventories (note 7)	34,746	14,846
Others	406,704	247,305
	23,841,246	22,347,829

18 GOVERNMENT SUBSIDY

Government subsidy is available for most of the Company's products sold locally and is calculated as the difference between the actual cost of wheat purchased and used for local sales plus conversion cost of BD 31 per ton for flour and a range of BD 98 to BD 145 per ton for special products (2022: same) and the value of sales of these products made during the year.

During the year, the Government subsidy was also granted on sale of imported flour in order to avoid any supply disruption to local customers during the shutdown for mill expansion project, covering the difference between the actual cost of flour imported and sold locally plus BD 7.5 per ton sold for all other related costs of flour sold locally, and the value of local sales of imported flour made during the year.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

18 GOVERNMENT SUBSIDY (continued)

The following table shows the details of Government subsidy:

	2023	2022
	BD	BD
Actual cost of wheat purchased and used for products subject to subsidy (note 17)	19,006,915	19,808,644
Actual cost of flour purchased and sold (note 17)	2,273,525	-
Plus: conversion cost per ton of wheat products subject to subsidy	3,827,971	3,925,307
Plus: BD 7.5 per ton for execution fees to import and sell flour	78,136	-
Plus: landing costs on import of wheat and flour	333,792	-
	25,520,339	23,733,951
Gross sales subject to subsidy	(7,671,032)	(7,216,039)
	17,849,307	16,517,912

Quantity sold during the year was 128,364 tons out of which 127,940 tons were subsidised and 424 tons were commercial sales (2022: 124,151 tons out of which 121,897 tons were subsidised and 2,254 tons were commercial sales).

19 OTHER OPERATING EXPENSES

	2023	2022
	BD	BD
Staff costs	798,115	666,986
General and administrative expenses	476,303	288,796
Depreciation on property, plant and equipment (note 4)	15,790	15,274
Depreciation on right-of-use assets (note 5)	91,433	54,949
Board sitting fees	83,200	77,700
Board of directors' remuneration	60,000	60,000
Professional fees	28,500	28,475
	1,553,341	1,192,180

20 INTEREST INCOME FROM INVESTMENT SECURITIES AT AMORTISED COST - NET

Interest income from investment securities at amortised cost consist of the following:

	2023	2022
	BD	BD
Interest income	161,114	38,179
Management fee	(43,979)	(14,797)
	117,135	23,382

Investment securities at amortised cost carry an average effective interest rate of 7.4% per annum (2022: 6.4%).

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

21 FINANCE COST

	2023	2022
	BD	BD
Interest expense on lease liabilities (note 5)	85,305	26,200
Interest expense on bank overdraft and import finance loans	94,669	27,250
	179,974	53,450

22 OTHER INCOME

	2023	2022
	BD	BD
Delivery income	20,912	18,907
Income from shipment claims	32,312	74,044
Interest income on bank balances and short-term deposits	254,381	33,716
Others	33,192	27,743
	340,797	154,410

23 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss for the year attributed to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year and is as follows:

	2023	2022
Net profit for the year (BD)	2,501,179	1,422,601
Weighted average number of equity shares in issue	24,825,570	24,825,570
Basic and diluted earnings per share (fils)	100.75	57.30

Basic and diluted earnings per share are the same since the Company has not issued any instruments that would have a dilutive effect.

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent 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 management and Board of Directors.

Being an entity under the control of the Government of the Kingdom of Bahrain, the Company qualifies as a government related entity under the definitions provided in International Accounting Standard 24 *Related Party Disclosures* ("IAS 24"). Accordingly, the Company considers Government departments, ministries and other Government controlled organizations as its related parties. The Company purchases electricity, receives subsidy against the sale of goods in the local market and receives other services from various Government, semi-Government organisations and other Government related entities in the Kingdom of Bahrain. Other than the subsidy, all such other transactions are not considered to be individually significant in terms of size. All related party transactions and balances are in the normal course of business.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant transactions with the Government and other related parties included in the financial statements are as follows:

	2023	2022
	BD	BD
Government		
Government subsidy (note 18)	17,849,307	16,517,912
Other operating income	402,044	89,575
Affiliates of Ultimate Parent		
Finance cost on import finance loans	63,357	93,917
Interest income on bank balances	11,769	419
Other operating expenses	6,154	7,949
Repayment of import finance loan	3,257,952	6,108,531
Import finance loan availed	2,370,765	4,919,647

Significant balances with the Government and other related parties included in the statement of financial position are as follows:

	2023	2022
	BD	BD
Government		
Subsidy receivable (note 8)	-	3,647,669
Amount due to the Government	2,083,158	-
Affiliates of Ultimate Parent		
Import finance loans	1,591,024	4,919,647
Accrued interest on import finance loans	8,305	20,942
Bank balances and short-term deposits	181,128	-
Bank overdraft	-	969,490

Terms and conditions of transactions with related parties

Transactions with related parties are made at normal market prices. Outstanding balances with the Government at the year-end arise in the normal course of business, are unsecured, interest free and settlement occurs either in cash or adjustment with other balances. Outstanding balances with affiliate of Ultimate Parent arise in the normal course of business, are unsecured, carry interest and settlement occurs in cash. For the years ended 31 December 2023 and 31 December 2022, the Company has not recorded any allowance for expected credit losses on amounts owed by related parties.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**Compensation of key management personnel**

The remuneration of directors and other members of key management included in the statement of comprehensive income are as follows:

	2023	2022
	BD	BD
Board of Directors:		
Remuneration (note 19)	60,000	60,000
Sitting fees (note 19)	83,200	77,700
Other expenses	27,821	20,201
Key management personnel:		
Salaries and short-term benefits	405,238	339,503
End of service benefits	29,796	19,863
	606,055	517,267

The balances of remuneration payable to members of key management included in the statement of financial position are as follows:

	2023	2022
	BD	BD
Salaries and short-term benefits	19,326	11,204
End of service benefits	87,786	57,990
	107,112	69,194

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES**Introduction**

The Company's financial liabilities include, lease liabilities, term loan, import finance loans, trade and other payables, amount due to the Government and bank overdraft. The main purpose of these financial liabilities is to raise finance for the Company's operations and capital expenditure. The Company has trade and other receivables and bank balances, short-term deposits and cash that arise directly from its operations. The Company also holds investments at fair value through profit or loss and investments at amortised cost.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's executive management oversees the management of these risks. The Company's executive management advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's executive management also provides assurance to the Company's Board of Directors that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including bank balances, short-term deposits and debt securities.

Trade receivables

The Company trades on credit only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to expected credit losses is not significant. The management believes that credit risk associated with other receivables is assessed to be low.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At the reporting date, Company has recorded an allowance for expected credit loss of BD 92,000 (2022: BD 47,000).

Bank balances and short-term deposits

With respect to credit risk on bank balances and short-term deposits with financial institutions, the Company's exposure to credit risk arises from default of the counterparty. The Company limits credit risk by dealing only with reputable banks.

Debt securities

The Company limits credit risk on investments in debt securities by investing only in sovereign debt instruments. Management regularly reviews the fair value of the securities to assess the impairment.

Credit risk concentration

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and operate in largely independent markets.

The Company sells its products to a large number of wholesalers, retailers and individual customers. Its five largest customers account for 99% of the outstanding trade receivables at 31 December 2023 (2022: 90%).

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)**Credit risk (continued)***Maximum exposure to credit risk*

The table below shows the maximum gross exposure to credit risk for the components of the statement of financial position headings without taking account of any collateral and other credit enhancements.

	2023	2022
	BD	BD
Investment securities at amortised cost	2,647,061	1,541,475
Receivable and other assets	164,959	3,861,544
Bank balances and short-term deposits	7,063,104	5,696,678
	9,875,124	11,099,697

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring adequate bank facilities are available at all times. The Company's terms of sale requires amount to be paid in advance for walk-in customers and for corporate customers within 60 to 90 days of the date of sale. Trade payables are non-interest bearing and are normally settled within 30 to 90 days terms.

The table below summarises the maturities of the Company's financial liabilities at 31 December, based on undiscounted contractual payment dates and current market interest rates.

	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	BD	BD	BD	BD	BD
2023					
Trade payables	279,970	-	-	-	279,970
Retention payable	-	102,557	-	-	102,557
Dividends payable	54,415	-	-	-	54,415
Lease liabilities	34,718	104,154	599,608	1,458,678	2,197,158
Term loan	1,883,851	-	-	-	1,883,851
Import finance loans	1,712,214	535,544	-	-	2,247,758
Amount due to the Government	2,083,158	-	-	-	2,083,158
	6,048,326	742,255	599,608	1,458,678	8,848,867

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

	<i>Less than 3 months BD</i>	<i>3 to 12 months BD</i>	<i>1 to 5 years BD</i>	<i>More than 5 years BD</i>	<i>Total BD</i>
2022					
Trade payables	142,345	-	-	-	142,345
Dividends payable	54,415	-	-	-	54,415
Lease liabilities	37,742	104,154	573,400	1,572,350	2,287,646
Import finance loans	2,880,152	5,420,304	-	-	8,300,456
Bank overdraft	1,847,514	-	-	-	1,847,514
	<u>4,962,168</u>	<u>5,524,458</u>	<u>573,400</u>	<u>1,572,350</u>	<u>12,632,376</u>

Changes in liabilities arising from financing activities

	<i>At 1 January 2023 BD</i>	<i>Cash flows</i>		<i>Others BD</i>	<i>At 31 December 2023 BD</i>
		<i>Receipts BD</i>	<i>Payments BD</i>		
Import finance loan	8,169,905	3,299,948	(9,259,374)	-	2,210,479
Term loan	-	1,832,871	-	-	1,832,871
Amount due to the Government	-	18,982,911	-	(16,899,753)	2,083,158
Lease liabilities	1,246,884	-	(136,802)	141,430	1,251,512
Dividend payable	54,415	-	(620,640)	620,640	54,415
	<u>9,471,204</u>	<u>24,115,730</u>	<u>(10,016,816)</u>	<u>(16,137,683)</u>	<u>7,432,435</u>
	<i>At 1 January 2022 BD</i>	<i>Cash flows</i>		<i>Others BD</i>	<i>At 31 December 2022 BD</i>
		<i>Receipts BD</i>	<i>Payments BD</i>		
Import finance loan	5,555,448	19,695,322	(17,080,865)	-	8,169,905
Lease liabilities	449,576	-	(62,488)	859,796	1,246,884
Dividend payable	54,415	-	(620,640)	620,640	54,415
	<u>6,059,439</u>	<u>19,695,322</u>	<u>(17,763,993)</u>	<u>1,480,436</u>	<u>9,471,204</u>

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, foreign currency risk and equity price risk.

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At 31 December 2023

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)**Market risk (continued)***Interest rate*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table demonstrates the sensitivity of statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant. The Company's profit for the year is affected through the impact on floating interest rates bearing import finance loans and term loan as follows:

	2023		2022	
Increase (decrease) in basis points	+100	(100)	+100	(100)
Increase (decrease) in profit [in BD]	(7,705)	7,705	(10,290)	10,290

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the balances related to Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

The Company is not exposed to foreign currency risk on its financial assets and financial liabilities as balances are denominated in Bahraini Dinar and US Dollars which is pegged to Bahraini Dinars and hence is not considered to represent significant currency risk.

Equity price risk

The Company's investments in quoted equity securities and a managed fund are susceptible to market price risk arising from uncertainties about future values of the investment. The Company through its investment manager, manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of directors reviews and approves all equity investment decisions.

Management's best estimate of the effect on profit or loss for the year due to 5% change in fair value of investments at fair value through profit or loss, with all other variables held constant, would be BD 627,914 (2022: BD 541,203).

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

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 or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022. Equity comprises of share capital, share premium, statutory reserve, other reserves and retained earnings and is measured at BD 27,076,425 at 31 December 2023 (31 December 2022: BD 25,220,886).

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

26 CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Classification

The details of classification of financial assets and liabilities held by the Company at the reporting date are as follows:

	2023		
	<i>Fair value through profit and loss</i> BD	<i>Amortised cost</i> BD	<i>Total carrying value</i> BD
Financial assets			
Investment securities	12,558,284	2,647,061	15,205,345
Receivables and other assets	-	164,959	164,959
Bank balances, short-term deposits and cash	-	7,064,161	7,064,161
	12,558,284	9,876,181	22,434,465
2022			
	<i>Fair value through profit and loss</i> BD	<i>Amortised cost</i> BD	<i>Total carrying value</i> BD
Financial assets			
Investment securities	10,824,052	1,541,475	12,365,527
Receivables and other assets	-	3,861,544	3,861,544
Bank balances, short-term deposits and cash	-	5,698,048	5,698,048
	10,824,052	11,101,067	21,925,119
	2023 BD	2022 BD	
Financial liabilities at amortised cost			
Lease liabilities	1,251,512	1,246,884	
Term loan	1,832,871	-	
Trade payables and other liabilities	464,869	196,760	
Import finance loans	2,210,479	8,169,905	
Amount due to the Government	2,083,158	-	
Bank overdraft	-	1,847,514	
	7,842,889	11,461,063	

Fair value measurement**Fair value of investment securities at fair value through profit or loss**

Fair values of quoted equity investments and fund are derived from quoted prices in active markets. The fair values are categorized into level 1 of the fair value hierarchy. There were no transfers between the different levels of the fair value hierarchy during the current year and prior year.

Bahrain Flour Mills Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

26 CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

Fair value of other financial instruments

The fair values of other financial instruments are estimated based on the following methods and assumptions:

- a) Trade and other receivables, bank balances, short-term deposits and cash, term loan, import finance loans, trade and other payables, and amount due to the Government approximate their carrying amounts at the reporting date largely due to the short-term maturities of these instruments.
- b) Lease liabilities and investment securities at amortised cost are evaluated by the Company based on parameters such as interest rates. At the reporting date, the carrying amounts are not materially different from their fair values.

27 APPROPRIATIONS

At the Annual General Meeting of the shareholders held on 28 March 2023, a final cash dividend of 25 fils per share totalling BD 620,640 and charity of BD 25,000 for the year ended 31 December 2022 were declared (2022: at the Annual General Meeting of the shareholders held on 27 March 2022, a final cash dividend of 25 fils per share totalling BD 620,640 and charity of BD 20,000 for the year ended 31 December 2021 were declared).

The directors' remuneration of BD 60,000 for the financial year ended 31 December 2022 (2021: BD 60,000) was also approved by the shareholders at the Annual General Meeting held on 28 March 2023 (2021: 27 March 2022).

28 COMMITMENTS

At 31 December 2023, the Company had contractual commitments to incur construction costs relating to the mill expansion project amounting to BD 771,435 (31 December 2022: BD 1,043,941) which are due within one year.

29 SEGMENTAL INFORMATION

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment) or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segment. The Company's current activities are primarily the production of flour and related products which are predominately sold in the local market. The revenue, expenses and results are reviewed only at a Company level and therefore no separate operating segment results and other disclosures are provided in the financial statements.

30 INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES - AMENDMENTS TO IAS 12

In December 2021, the Organisation for Economic Co-operation and Development "(OECD)" issued model rules for a new global minimum tax framework (Pillar Two), and various Governments around the world have issued, or are in the process of issuing, legislation on this. In Kingdom of Bahrain, the Government has not yet issued any legislation on Pillar Two, announcement is expected to legislation in this regard in due course. The Company is in the process of assessing the impact on the financial statements.

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At 31 December 2023

31 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures as shown below have been reclassified to conform to the presentation adopted in the current year. Such reclassifications did not affect the previously reported net profit or the total equity, assets, and liabilities of the Company.

	<i>As previously reported BD</i>	<i>Re- classification BD</i>	<i>Reclassified BD</i>
<i>Statement of comprehensive income</i>			
Cost of revenue	(22,178,933)	(168,896)	(22,347,829)
Other operating expenses	(1,361,076)	168,896	(1,192,180)
Interest income from investment securities			
at amortised cost - net	57,098	(33,716)	23,382
Other income	120,694	33,716	154,410

The Company is continuing the mill expansion plan to increase production capacity to reach 520 metric tons per day by adding a new production line with the latest technologies in flour products.





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