

## **Bahrain Flour Mills Company B.S.C.**

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

**31 DECEMBER 2025**

Commercial registration	1170 (Bahraini Joint Stock Company)
Board of Directors	Mr. Basim AlSaie ( Chairman ) Mr. Salah Mushari Al Kulaib ( Vice Chairman ) Mr. Ayman A.Hameed Zainal Ms. Raghdan Qassim A. Rasool Mr. Eyad Redha Faraj Mr. Ahmad Mazhar Mr. Mohamed Sadiq Al Rahma 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	Kuwait Finance House B.S.C (c) National Bank of Bahrain B.S.C Bank of Bahrain and Kuwait B.S.C Arab Bank National Bank of Kuwait
Auditors	Ernst & Young - Middle East
Shares registrar	Bahrain Clear B.S.C (c)



**Bahrain Flour Mills Company B.S.C (Al-Matahin)**  
**Board of Directors Report for the year ending 31 December 2025**

Dear Shareholders,

On behalf of the Board of Directors of Bahrain Flour Mills Company B.S.C. (Al-Matahin), I am pleased to present the Annual Report for the financial year ended 31 December 2025.

**Company Performance and Financial Results**

The year 2025 represented a period of stabilization, operational strengthening, and strategic positioning for the Company. Despite regional supply disruptions and continued global volatility in wheat markets, BFM maintained stable operations and reaffirmed its essential role in supporting the Kingdom of Bahrain's food security framework.

Total sales volumes reached approximately 96% of budget, amounting to 125,000 metric tons. While bran availability had a marginal impact on total volumes, overall flour sales remained broadly aligned with plan, reflecting sustained demand and improved market stability after several years of volatility.

Regional disruptions during the year highlighted the strategic importance of maintaining adequate wheat storage capacity and prudent stock levels. Despite external uncertainties, vessel deliveries were completed without interruption. Daily stock monitoring was maintained in coordination with relevant authorities, reinforcing BFM's responsible management of supply continuity and its national role in safeguarding food security.

The Company's financial performance was positively supported in the form of compensation adjustment, formally approved in May 2025 and extended into 2026. This adjustment recognized increased conversion costs and system investments and materially strengthened the Company's financial resilience.

For the year ended 31 December 2025, the Company achieved a net profit of BD 1,174,895.

In light of these results, the Board of Directors recommends the following for shareholders' approval:

- Distribution of cash dividends at 25 fils per share (25% of paid-up capital) totaling BD 620,620.
- Allocation of BD 60,000 as remuneration for the members of the Board of Directors.
- Allocation of BD 25,000 for social and charitable contributions.



These recommendations reflect the Board's commitment to delivering shareholder value while maintaining prudent financial management.

### **Strengthening Operational Foundations**

In 2025, BFM successfully completed the long-standing Mill Upgrade and Capacity Expansion Project at Mina Salman. The project enhanced operational flexibility, improved process control systems, and increased production capacity.

Despite pandemic-related delays during earlier phases, the project was closed with a modest overspend of only 5.1%, demonstrating disciplined execution and strong governance oversight.

In parallel, the operations team implemented several infrastructure improvements aimed at increasing reliability, efficiency, and operational sustainability. These initiatives reflect our continued focus on strengthening the Company's operational backbone while maintaining disciplined capital allocation.

### **Strategic Direction - BFM Essentials Project**

A major milestone during 2025 was the advancement of the BFM Essentials Project (New Mill and Silo Project), following the securing of land at the Bahrain Logistics Zone (BLZ).

During the year, a comprehensive budget evaluation was completed and approved by the Board in December 2025. The project represents a transformative step toward enhancing Bahrain's long-term food security, expanding storage capacity, modernizing infrastructure, and strengthening operational resilience. Ongoing discussions continue with relevant authorities and stakeholders to ensure alignment and support under agreed principles. The Board remains fully committed to progressing this strategic investment in a responsible and sustainable manner.

### **Outlook for 2026**

As we enter 2026, the Company remains focused on:

- Advancing the New Mill and Silo Project
- Continuing disciplined capital improvements
- Strengthening governance, compliance, and transparency
- Enhancing operational resilience
- Improving brand positioning and customer awareness



The Board is confident that these priorities will position the Company for sustainable growth while preserving its core responsibility to the Kingdom.

### **Social Responsibility**

BFM continues to uphold its role as a responsible corporate citizen. During the financial year ended 31 March 2025, the Company provided total approved donations amounting to BD 24,527, supporting several respected national institutions and charitable organizations.

Among the beneficiaries were the Royal Humanitarian Foundation, the Royal Bahrain Equestrian and Endurance Federation, the Bahrain Charity Society, and the Alia Center. These contributions reflect the Company's belief that long-term business success must be accompanied by meaningful community engagement and national support.

### **Appreciation and Acknowledgment**

On behalf of the Board of Directors, I extend our deepest appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, and to His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and Prime Minister, for their continued leadership and support.

We also extend our sincere thanks to the Ministers, government officials, and regulatory authorities for their cooperation and guidance.

Most importantly, we express our gratitude to our employees whose dedication and professionalism have enabled the Company to navigate challenges and deliver strong results. Their commitment remains the foundation of our continued success.

In line with our commitment to transparency and good governance, the Company has included detailed disclosure of the remuneration of the Board of Directors and Executive Management for the year ended 31 December 2025 in the accompanying report.

The Board remains confident in the Company's strategic direction and its ability to continue delivering sustainable value to shareholders while fulfilling its national responsibility.



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 2025:

**First: Board of Directors' Remuneration Details:**

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense	Expenses
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
<b>First: Independent Directors:</b>													
1- Basim Mohammed AlSaie	13,333	11,300	-	-	24,633	-	-	-	-	-	-	24,633	-
2- Salah Mohammed Al Kulaib	6,667	9,100	-	-	15,767	-	-	-	-	-	-	15,767	-
3- Ayman Abdulhameed Zainal	6,667	6,000	-	-	12,667	-	-	-	-	-	-	12,667	-
4- Eyad Redha Faraj	6,667	7,900	-	-	14,567	-	-	-	-	-	-	14,567	-
5- Raghdan Saleh Qassim	6,667	8,500	-	-	15,167	-	-	-	-	-	-	15,167	-
<b>Second: Non- Executive Directors / Non-Independent Directors:</b>													
6- Ahmad Mazhar	6,667	9,500	-	-	16,167	-	-	-	-	-	-	16,167	-
7- Wael Itani	6,667	6,500	-	-	13,167	-	-	-	-	-	-	13,167	-
8- Fahad Al Mudhahka	5,776	5,000			10,776							10,776	
9- Mohamed Sadiq Eid Al Rahma	889	1,000			1,889							1,889	
<b>Third: Executive Directors:</b>													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>60,000</b>	<b>64,800</b>	<b>-</b>	<b>-</b>	<b>124,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,800</b>	<b>-</b>



## Second: Executive Management Remuneration Details:

Executive management	Total paid salaries and allowances***	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	368,272	40,335	19,898	428,505
<p><i>Other remunerations:</i></p> <p>* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).</p> <p>** It includes the board member's share of the profits - Granted shares (insert the value) (if any).</p> <p>*** This represents the end of service benefits of BD 19,784.</p>				
<p><i>Notes:</i></p> <p>1. Disclosure is for the top 6 executives who are employees of the entity as on the reporting date.</p>				

Basim Mohammed AlSaie  
Chairman

Salah Mohamed Al Kulaib  
Vice Chairman

22 February 2026



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## **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 2025, and the statements of comprehensive income, cash flows and 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 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

#### *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), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities 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 2025. 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 the 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 19 on disclosures of the Government subsidy in the financial statements.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
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 12,468,706. We considered this as a key audit matter because of the significance of the subsidy amount and importance of the subsidy to the business.	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(ii) inspecting the invoices to ensure that the Government subsidy is claimed as per actual entitlement;</li> <li>(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;</li> <li>(iv) assessing the sufficiency and appropriateness of the financial statements disclosures related to the subsidy.</li> </ul>

*Other information included in the Company's 2025 annual report*

Other information consists of the information included in the Company's 2025 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 forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not 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 the Financial Statements (continued)**

#### *Other information included in the Company's 2025 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 IFRS Accounting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### *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.
- 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.

## **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)*

- 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.

### **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.

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

**Report on Other Legal and Regulatory Requirements (continued)**

- 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 2025 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 Prasanth Govindapuram.



Partner's Registration No. 212  
22 February 2026  
Manama, Kingdom of Bahrain

## Bahrain Flour Mills Company B.S.C.

## STATEMENT OF FINANCIAL POSITION

At 31 December 2025

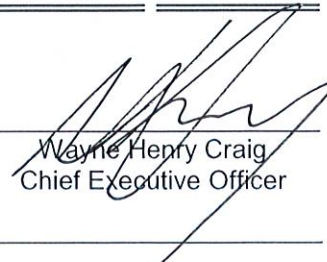
	Note	2025 BD	2024 BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	6,862,765	7,541,233
Intangible assets	5	70,418	93,117
Right-of-use assets	6	4,147,889	4,553,229
Investment securities	7	3,904,205	3,918,414
		<u>14,985,277</u>	<u>16,105,993</u>
<b>Current assets</b>			
Investment securities	7	12,878,542	12,992,041
Inventories	8	5,567,692	5,841,463
Receivables and other assets	9	2,499,815	396,639
Bank balances, short-term deposits and cash	10	4,763,209	4,377,581
		<u>25,709,258</u>	<u>23,607,724</u>
<b>TOTAL ASSETS</b>		<u><u>40,694,535</u></u>	<u><u>39,713,717</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	2,481,877	2,481,877
Share premium		1,350,000	1,350,000
Statutory reserve	11	1,241,625	1,241,625
Other reserve	11	3,463,628	3,463,628
Retained earnings		18,855,741	18,326,466
<b>Total equity</b>		<u>27,392,871</u>	<u>26,863,596</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	12	150,475	146,531
Lease liabilities - non-current portion	6	4,506,712	4,496,510
		<u>4,657,187</u>	<u>4,643,041</u>
<b>Current liabilities</b>			
Lease liabilities - current portion	6	222,081	226,981
Term loan	13	2,121,318	2,202,091
Trade payables and other liabilities	14	565,368	616,926
Import finance loans	15	1,073,736	2,258,413
Amount due to the Government	16	1,721,654	2,902,669
Advance received from the Government	16	2,940,320	-
		<u>8,644,477</u>	<u>8,207,080</u>
<b>Total liabilities</b>		<u>13,301,664</u>	<u>12,850,121</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>40,694,535</u></u>	<u><u>39,713,717</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 2025

	Note	2025 BD	2024 BD
Revenue	17	7,554,661	7,605,900
Cost of revenue	18	(17,233,662)	(18,604,363)
<b>Gross loss before Government subsidy</b>		<b>(9,679,001)</b>	<b>(10,998,463)</b>
Government subsidy	19	12,468,706	12,417,783
<b>Gross profit</b>		<b>2,789,705</b>	<b>1,419,320</b>
Other operating income		411,892	370,449
General and administrative expenses	20	(1,907,622)	(1,998,432)
<b>Operating profit (loss)</b>		<b>1,293,975</b>	<b>(208,663)</b>
Net change in fair value of investment securities at fair value through profit or loss	7	(113,499)	433,757
Interest income from investment securities at amortised cost - net	21	234,692	211,168
Finance costs	22	(571,272)	(388,192)
Other income	23	330,999	384,721
<b>NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,174,895</b>	<b>432,791</b>
<b>Basic and diluted earnings per share (fils)</b>	24	<b>47.33</b>	<b>17.43</b>



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 CASH FLOWS

For the year ended 31 December 2025

	Note	2025 BD	2024 BD
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		<b>1,174,895</b>	432,791
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	4	<b>887,320</b>	833,483
Amortisation of intangible assets	5	<b>22,699</b>	20,487
Depreciation on right-of-use-assets	6	<b>405,340</b>	265,287
Net change in fair value of investment securities at fair value through profit or loss	7	<b>113,499</b>	(433,757)
Interest income from investment securities at amortised cost- net	21	<b>(234,692)</b>	(211,168)
Interest income from bank balances and short-term deposits	23	<b>(131,097)</b>	(221,113)
Finance costs	22	<b>571,272</b>	388,192
(Reversal) charge for slow moving and obsolete inventories	18	<b>(2,750)</b>	83,414
Reversal of allowance for expected credit losses	9	<b>(1,291)</b>	-
Provision for employees' end of service benefits	12	<b>29,238</b>	28,149
Operating profit before working capital changes		<b>2,834,433</b>	1,185,765
<i>Working capital changes:</i>			
Inventories		<b>133,503</b>	(1,339,563)
Receivables and other assets		<b>(9,074,597)</b>	(10,594,308)
Trade payables and other liabilities		<b>(53,766)</b>	(325,790)
Net cash used in operations		<b>(6,160,427)</b>	(11,073,896)
Employees' end of service benefits paid	12	<b>(25,294)</b>	(34,938)
Donation paid		<b>(24,527)</b>	(15,000)
Net cash flows used in operating activities		<b>(6,210,248)</b>	(11,123,834)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment - net		<b>(241,567)</b>	(1,447,869)
Purchase of intangible assets		-	(17,262)
Purchase of investment securities at amortised cost		-	(2,041,641)
Redemption of investment securities at amortised cost		-	758,060
Interest income received from investment securities at amortised cost- net		<b>248,901</b>	211,002
Interest income received from bank balances and short-term deposits		<b>138,873</b>	235,443
Net cash flows from (used) in investing activities		<b>146,207</b>	(2,302,267)

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

# Bahrain Flour Mills Company B.S.C.

## STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2025

	<i>Note</i>	<b>2025</b> <b>BD</b>	2024 <b>BD</b>
<b>FINANCING ACTIVITIES</b>			
Payment of principal portion of lease liabilities		<b>(227,867)</b>	(191,023)
Term loan paid		<b>(80,773)</b>	-
Term loan availed - net		-	369,220
Repayment of import finance loans	15	<b>(4,405,884)</b>	(10,252,003)
Import finance loans availed	15	<b>3,221,207</b>	10,299,937
Amount paid to the Government	16	<b>(2,902,669)</b>	(2,093,634)
Advance received from the Government		<b>11,802,643</b>	13,595,956
Finance costs paid		<b>(336,368)</b>	(368,173)
Dividend paid		<b>(620,620)</b>	(620,759)
Net cash flows from financing activities		<b>6,449,669</b>	10,739,521
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>385,628</b>	(2,686,580)
Cash and cash equivalents at 1 January		<b>4,377,581</b>	7,064,161
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	10	<b>4,763,209</b>	4,377,581

### Non-cash items:

- BD 175,733 (2024: nil) has been excluded from the movements in the property, plant and equipment and trade and other receivables.
- Transfer of spares of BD 143,018 (2024: nil) has been excluded from the movements in the property, plant and equipment and inventories.
- Advance received from the Government of BD 7,140,669 (2024: BD 10,682,451) has been adjusted with the subsidy receivable.
- Capitalisation of borrowing costs of BD 25,440 was excluded from the prior year purchase of property, plant and equipment.
- Donated flour baskets of BD 4,262 was excluded from the prior year movements in inventories.
- Recognition of new leases of BD 3,613,490 was excluded from the prior year movements in right-of-use assets and lease liabilities.

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

# Bahrain Flour Mills Company B.S.C.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Note	Reserves				Retained earnings BD	Total equity BD
		Share capital BD	Share premium BD	Statutory reserve BD	Other reserve BD		
At 1 January 2025		2,481,877	1,350,000	1,241,625	3,463,628	18,326,466	26,863,596
Net profit and total comprehensive income for the year		-	-	-	-	1,174,895	1,174,895
Charity approved for 2024	28	-	-	-	-	(25,000)	(25,000)
Dividends for 2024	28	-	-	-	-	(620,620)	(620,620)
<b>At 31 December 2025</b>		<b>2,481,877</b>	<b>1,350,000</b>	<b>1,241,625</b>	<b>3,463,628</b>	<b>18,855,741</b>	<b>27,392,871</b>

	Note	Reserves				Retained earnings BD	Total equity BD
		Share capital BD	Share premium BD	Statutory reserve BD	Other reserve BD		
At 1 January 2024		2,481,877	1,350,000	1,241,625	3,463,628	18,539,295	27,076,425
Net profit and total comprehensive income for the year		-	-	-	-	432,791	432,791
Charity approved for 2023	28	-	-	-	-	(25,000)	(25,000)
Dividends for 2023	28	-	-	-	-	(620,620)	(620,620)
At 31 December 2024		2,481,877	1,350,000	1,241,625	3,463,628	18,326,466	26,863,596

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

## 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 on 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.

These financial statements comprise the results of the Company for the year ended 31 December 2025.

The Company's majority shareholder is Bahrain Food Holding Company W.L.L, which holds 65.73% of the Company's shares (the "Parent"). The Parent is wholly owned by Bahrain Investment Holding Company - Istithmar W.L.L, which in turn is wholly owned by 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 22 February 2026.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

### Accounting convention

The financial statements have been prepared under the historical cost convention except for fair value measurement of investment securities classified as at fair value through profit or loss.

### Statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS Accounting 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, 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 currency of the Company.

### New and amended standards and interpretations effective from 1 January 2025

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year, except for certain new and amended standards and interpretations adopted by the Company as of 1 January 2025. The Company has not early adopted any new and amended standards and interpretations that has been issued but is not yet effective.

- *Amendments to IAS 21 - Lack of exchangeability - The Effects of Changes in Foreign Exchange Rates specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.*

The amendment had no material impact on the financial statements of the Company.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### **New and amended standards issued but not yet effective**

Certain other new and amended standards have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Company. The Company is assessing the impact of these new and amended standards and intends to adopt, if applicable, at its effective date:

- *IFRS 18 Presentation and Disclosure in Financial Statements: In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.*

*It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.*

*In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively;*

- *IFRS 19 Subsidiaries without Public Accountability Disclosures: In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.*

*IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.*

*As the Company's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19;*

- *Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - In December 2015, the IASB issued these amendments which clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The effective date for adoption of these amendments has been deferred indefinitely;*
- *Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments - In May 2024, the IASB issued these amendments which:*
  - i) *Clarify that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.*

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**

**New and amended standards issued but not yet effective (continued)**

*Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments - In May 2024, the IASB issued these amendments which (continued):*

- ii) Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.*
- iii) Clarify the treatment of non-recourse assets and contractually linked instruments.*
- iv) Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that refer a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.*

*The amendments will be effective for annual reporting periods beginning on or after 1 January 2026;*

- *Annual Improvements to IFRS Accounting Standards - Volume 11 - In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS Accounting Standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows. The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed; and*
- *Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7- In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments:*
  - i) Clarify the application of the 'own-use' requirements for in-scope contracts.*
  - ii) Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts.*
  - iii) Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.*

*The amendments will take effect for annual reporting periods starting on or after 1 January 2026.*

Management is currently assessing the impact of the above new and amended standards 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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### Current versus non-current classification (continued)

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.

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.

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**

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

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	10-20 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 that 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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

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.

Capital work-in-progress is not depreciated until it is transferred and put to use and is reviewed annually for any indication of impairment.

### Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The amortisation expense is recognised in the profit or loss in the expense category that is consistent with the function of the intangible assets.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the intangible assets, as follows:

- ERP and eCommerce platform 5 years

The carrying values of the intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss.

### 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.

#### i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are 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 assets are depreciated on a straight-line basis over the lease term of the underlying leased asset.

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**

**Leases - the Company as a lessee (continued)**

**i) Right-of-use assets (continued)**

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 leased 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 liabilities**

At the commencement date of the lease, the Company recognises lease liabilities 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 if 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 assets**

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 moving and obsolete inventories. Costs are those expenses incurred in bringing inventories to their present location and condition, as follows:

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 to manufacture and estimated costs necessary to make the sale.

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**

**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**

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

**Initial recognition and measurement**

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.

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. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from contracts with customers*.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**(i) Financial assets (continued)**

***Initial recognition and measurement (continued)***

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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.

***Financial assets at amortised cost***

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 investments in debt securities, certain receivables and other assets and bank balances, short-term deposits and cash.

***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 profit or loss.

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

***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 EIR. 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.

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**(i) Financial assets (continued)**

***Impairment of financial assets (continued)***

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).

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.

***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.

**(ii) Financial liabilities**

The Company's financial liabilities include lease liabilities, term loan, certain trade and other payables, import finance loans and amount due to the Government.

***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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### (ii) *Financial liabilities (continued)*

##### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

##### *Financial liabilities at amortised cost*

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 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.

##### **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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 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. Effective 1 March 2024, the Company is required to make monthly contributions of employees' end-of-service benefits to the Social Insurance Organisation ("SIO"). Any end of service benefits liabilities for employees prior to 1 March 2024, as well as any pending monthly contributions in subsequent periods, remain the obligation of the Company.

The Company also makes contributions to the 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, goods 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.

### International tax reform - pillar two model rules - amendments to IAS 12

On 1 September 2024, Bahrain enacted new global minimum tax rules to align with the Organization for Economic Co-operation and Development Base Erosion and Profit Shifting ("BEPS") Pillar 2 model rules. The enacted law includes the implementation of qualified domestic minimum top-up tax ("QDMTT").

The QDMTT is effective for years beginning on or after January 1, 2025. Bahrain has also adopted the Transitional Country by Country Safe Harbor guidance applicable for years beginning on or before 31 December 2026. The Transitional Country by Country Safe Harbors provide relief from the application of the global minimum tax rules should certain criteria be met. The global minimum tax rules are not applicable to the Company.

### 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.

#### *Sale of goods*

Revenue from sale of goods is recognised at the point in time when control of the goods 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 etc). 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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### Revenue

#### *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 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 profit or loss in the period in which the sales are made to customers.

In addition, the Company is entitled to an unconditional Government grant that compensates it for specific expenses incurred. This grant is recognised as other operating income in profit or loss in the period in which the grant becomes receivable.

### Other income

#### *Interest income*

Interest income is recorded using the 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.

#### *Other income*

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

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the Board of Directors and management 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 amounts of the assets or liabilities affected in future periods.

### Judgements

In the process of applying the Company's accounting policies, the Board of Directors and management have 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.

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Judgements (continued)**

*Classification of equity investments*

The Company's management determines the classification of equity investments on initial recognition as "financial assets at FVTPL" or "financial assets at FVOCI". The equity investments are classified as "financial assets at FVTPL" 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 and measured at FVOCI. All other investments are classified as "financial assets at FVOCI".

*Classification of debt investments*

The Company's management determines the classification of debt investments on initial recognition as "financial assets at amortised cost", "FVTPL" or "financial assets at FVOCI". The debt investments are classified based on the conditions mentioned in the accounting policy on "Financial assets".

*Determining the non-cancellable term of the lease - The Company as a lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

**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, right-of-use assets and intangible assets*

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

*Impairment of property, plant and equipment, right-of-use assets and intangible 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 the higher of an asset's or CGU's 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.

**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.

*Valuation of unquoted investments at fair value through profit or loss*

Management uses its best judgement in determining fair values of the unquoted 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 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 (2024: nil). 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.

Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in profit or loss.

*Allowance for expected credit losses against 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.

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.

Any difference between the amounts actually collected 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 2025

**4 PROPERTY, PLANT AND EQUIPMENT**

	<i>Buildings on leasehold land*</i>	<i>Plant, and machinery and capital spares</i>	<i>Motor Vehicles</i>	<i>Furniture and office equipment</i>	<i>Capital work- in-progress</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Cost:						
At 1 January 2025	9,663,543	13,227,736	172,958	1,282,126	11,115	24,357,478
Additions	5,771	117,218	4,561	17,832	258,276	403,658
Adjustments	-	(337,824)	-	-	-	(337,824)
Transfers in (out)	133,979	112,818	-	21,058	(267,855)	-
Transferred from stores, spares and consumables	-	-	-	-	252,621	252,621
Disposals	-	-	-	(22,740)	-	(22,740)
At 31 December 2025	<b>9,803,293</b>	<b>13,119,948</b>	<b>177,519</b>	<b>1,298,276</b>	<b>254,157</b>	<b>24,653,193</b>
Accumulated depreciation and impairment:						
At 1 January 2025	7,614,315	8,145,990	163,906	892,034	-	16,816,245
Depreciation for the year	304,989	528,552	1,898	51,881	-	887,320
Relating to transfers (note 8)	-	-	-	-	109,603	109,603
Relating to disposals	-	-	-	(22,740)	-	(22,740)
At 31 December 2025	<b>7,919,304</b>	<b>8,674,542</b>	<b>165,804</b>	<b>921,175</b>	<b>109,603</b>	<b>17,790,428</b>
Net carrying values:						
<b>At 31 December 2025</b>	<b>1,883,989</b>	<b>4,445,406</b>	<b>11,715</b>	<b>377,101</b>	<b>144,554</b>	<b>6,862,765</b>

Bahrain Flour Mills Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2025

**4 PROPERTY, PLANT AND EQUIPMENT (continued)**

	<i>Buildings on leasehold land*</i> BD	<i>Plant, machinery and capital spares</i> BD	<i>Motor Vehicles</i> BD	<i>Furniture and office equipment</i> BD	<i>Capital work- in-progress**</i> BD	<i>Total</i> BD
Cost:						
At 1 January 2024	8,667,551	7,977,508	172,958	876,926	5,285,568	22,980,511
Additions	6,440	150,259	-	3,675	1,330,197	1,490,571
Transfers in (out)	989,552	5,099,969	-	401,525	(6,604,650)	(113,604)
At 31 December 2024	<u>9,663,543</u>	<u>13,227,736</u>	<u>172,958</u>	<u>1,282,126</u>	<u>11,115</u>	<u>24,357,478</u>
Accumulated depreciation:						
At 1 January 2024	7,330,272	7,643,767	161,051	847,672	-	15,982,762
Depreciation for the year	284,043	502,223	2,855	44,362	-	833,483
At 31 December 2024	<u>7,614,315</u>	<u>8,145,990</u>	<u>163,906</u>	<u>892,034</u>	<u>-</u>	<u>16,816,245</u>
Net carrying values:						
At 31 December 2024	<u><u>2,049,228</u></u>	<u><u>5,081,746</u></u>	<u><u>9,052</u></u>	<u><u>390,092</u></u>	<u><u>11,115</u></u>	<u><u>7,541,233</u></u>

\* The land at Mina Salman on which the current mill has been built and the Company's offices are situated is leased by the Company from the Bahrain Defence Force for a period of 20 years till 2042.

\*\* On 1 March 2024, a new production line with a cost of BD 6,072,508 was capitalised (transferred from capital work-in-progress). The cost represented amount incurred towards the supply and installation of mechanical and electrical equipment including the engineering and civil work. This production line was constructed on a leasehold land. The Company had obtained a term loan to finance the mill expansion project (refer note 13). The borrowing costs capitalized during the prior year, until the new production line became operational was BD 25,440.

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 4 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Cost of revenue (note 18)	<b>855,034</b>	806,401
General and administrative expenses (note 20)	<b>32,286</b>	27,082
	<b>887,320</b>	833,483

### 5 INTANGIBLE ASSETS

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Cost:		
At 1 January	<b>113,604</b>	-
Transferred from capital work-in-progress (note 4)	-	113,604
At 31 December	<b>113,604</b>	113,604
Accumulated amortisation:		
At 1 January	<b>20,487</b>	-
Amortisation for the year (note 20)	<b>22,699</b>	20,487
At 31 December	<b>43,186</b>	20,487
Net carrying values:		
<b>At 31 December</b>	<b>70,418</b>	93,117

### 6 LEASES

The Company leases warehouses and industrial lands on which its buildings and plant and equipment are located. Leases of land have lease terms between 20 and 24 years while warehouses have lease terms of 3 years. 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:

	<b>Lands plots</b>	<b>Warehouses</b>	<b>Total</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>
At 1 January 2025	<b>4,157,739</b>	<b>395,490</b>	<b>4,553,229</b>
Depreciation for the year	<b>(212,530)</b>	<b>(192,810)</b>	<b>(405,340)</b>
<b>At 31 December 2025</b>	<b>3,945,209</b>	<b>202,680</b>	<b>4,147,889</b>
At 1 January 2024	1,154,914	50,112	1,205,026
Additions (refer note below)	3,101,970	511,520	3,613,490
Depreciation for the year	(99,145)	(166,142)	(265,287)
At 31 December 2024	4,157,739	395,490	4,553,229

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 6 LEASES (continued)

The addition to lease for land plots during 2024 related to a new land plot for the proposed construction of a new mill. The Company entered into certain agreements with the Ministry of Transportation and Telecommunication (the "Ministry"), commencing from 1 October 2024 to reserve a plot of land (the "Land") for a rent-free period of 6 months for the purpose of carrying out preliminary surveys and studies to assess the suitability and technical feasibility of the Land for the construction of a new mill and if found suitable to lease it for a period of 20.5 years at an annual lease rent of BD 368,713 with certain escalation clauses.

During the year, management has completed the technical feasibility assessment required for the construction of the new mill and concluded that the Land is suitable for this purpose. Accordingly, the Company entered into a 20.5-year lease development agreement. As of the reporting date, the Company is in the process of identifying suitable equipment suppliers and exploring financing options to proceed with the construction.

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

	2025 BD	2024 BD
At 1 January	4,723,491	1,251,512
Additions	-	3,613,490
Accretion of interest (note 22)	347,006	170,426
Payments	(341,704)	(311,937)
<b>At 31 December</b>	<b>4,728,793</b>	<b>4,723,491</b>

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

	2025 BD	2024 BD
Non-current	4,506,712	4,496,510
Current	222,081	226,981
	<b>4,728,793</b>	<b>4,723,491</b>

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

	2025 BD	2024 BD
Depreciation on right-of-use assets:		
Cost of revenue (note 18)	32,445	28,770
General and administrative expenses (note 20)	372,895	236,517
Interest expense on lease liabilities (note 22)	347,006	170,426
Expense related to short-term lease and low value assets	36,000	39,000
	<b>788,346</b>	<b>474,713</b>

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

	2025 BD	2024 BD
Total cash outflows for lease liabilities	<b>(341,704)</b>	<b>(311,937)</b>

### 7 INVESTMENT SECURITIES

	2025 BD	2024 BD
<i>Non-current:</i>		
Investment securities at amortised cost	<b>3,904,205</b>	<b>3,918,414</b>

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 7 INVESTMENT SECURITIES (continued)

	2025 <i>BD</i>	2024 <i>BD</i>
<i>Current:</i>		
Investment securities at fair value through profit or loss	<b>12,878,542</b>	12,992,041

The investment securities 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 is as follows:

	2025 <i>BD</i>	2024 <i>BD</i>
Equity securities	<b>12,739,724</b>	12,935,504
Cash	<b>349,085</b>	38,536
Dividend receivable	-	4,294
Investments receivable	-	43,263
Management fee payable and other liabilities	<b>(30,051)</b>	(29,556)
Unsettled buy trades proceeds	<b>(180,216)</b>	-
<b>Total net asset value</b>	<b>12,878,542</b>	12,992,041
Number of issued units	<b>13,764,432</b>	13,764,432
Net asset value per unit	<b>0.94</b>	0.94

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

	2025 <i>BD</i>	2024 <i>BD</i>
At 1 January	<b>12,992,041</b>	12,558,284
Net change in fair value	<b>(113,499)</b>	433,757
<b>At 31 December</b>	<b>12,878,542</b>	12,992,041

The net change in fair value comprises of the following:

	2025 <i>BD</i>	2024 <i>BD</i>
Fair value change of equity securities	<b>(134,296)</b>	318,768
Dividend income	<b>150,352</b>	284,301
Investment management fee and other expenses	<b>(129,555)</b>	(169,312)
	<b>(113,499)</b>	433,757

### 8 INVENTORIES

	2025 <i>BD</i>	2024 <i>BD</i>
Wheat in silos	<b>3,869,203</b>	4,183,601
Packing material	<b>104,201</b>	120,399
Finished goods	<b>1,223,233</b>	1,084,597
Stores, spares and consumables	<b>874,804</b>	1,074,468
	<b>6,071,441</b>	6,463,065
Provision for slow-moving and obsolete inventories	<b>(503,749)</b>	(621,602)
	<b>5,567,692</b>	5,841,463

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 8 INVENTORIES (continued)

The movements in the provision for slow-moving and obsolete inventories are as follows:

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
At 1 January	<b>621,602</b>	546,864
(Reversal) / charge for the year (note 18)	<b>(2,750)</b>	83,414
Write-off during the year	<b>(5,500)</b>	(8,676)
Transferred to property, plant and equipment (note 4)	<b>(109,603)</b>	-
<b>At 31 December</b>	<b>503,749</b>	621,602

### 9 RECEIVABLES AND OTHER ASSETS

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Subsidy receivable (note 25)	<b>1,891,669</b>	-
Trade receivables	<b>201,569</b>	210,638
Advances to suppliers	<b>128,184</b>	101,690
Prepayments	<b>31,580</b>	35,112
Interest accrued	<b>57,989</b>	65,765
Others	<b>231,081</b>	8,429
VAT receivable - net	<b>48,452</b>	67,005
	<b>2,590,524</b>	488,639
Allowance for expected credit losses	<b>(90,709)</b>	(92,000)
	<b>2,499,815</b>	396,639

Terms and conditions of the financial assets are as follows:

- Subsidy receivable is non-interest bearing and is normally settled on 30 day 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 the terms of the underlying financial instruments.

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

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
At 1 January	<b>92,000</b>	92,000
Reversal for the year (note 20)	<b>(1,291)</b>	-
<b>At 31 December</b>	<b>90,709</b>	92,000

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

	<b>Total</b>	<b>Current</b>	<b>Past due</b>		
			<b>Less than 90 days</b>	<b>91 to 180 days</b>	<b>More than 180 days</b>
	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
<b>2025</b>					
Expected credit loss rate	<b>45.00%</b>	<b>4.81%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>100.00%</b>
Gross trade receivables	<b>201,569</b>	<b>116,459</b>	-	-	<b>85,110</b>
Expected credit losses	<b>(90,709)</b>	<b>(5,599)</b>	-	-	<b>(85,110)</b>
Net trade receivables	<b>110,860</b>	<b>110,860</b>	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**9 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>
<i>2024</i>					
Expected credit loss rate	43.68%	0.15%	100.00%	100.00%	100.00%
Gross trade receivables	210,638	118,822	1,851	949	89,016
Expected credit losses	(92,000)	(184)	(1,851)	(949)	(89,016)
Net trade receivables	<u>118,638</u>	<u>118,638</u>	<u>-</u>	<u>-</u>	<u>-</u>

**10 BANK BALANCES, SHORT-TERM DEPOSITS AND CASH**

	<i>2025 BD</i>	<i>2024 BD</i>
Cash in hand	<b>2,175</b>	2,069
Bank balances	<b>719,321</b>	801,854
Short-term deposits	<b>4,041,713</b>	3,573,658
	<u><b>4,763,209</b></u>	<u>4,377,581</u>

- Bank balances are placed with financial institutions in the Kingdom of Bahrain and the Kingdom of Saudi Arabia in current and saving accounts and denominated in Bahraini Dinar, US Dollar and Saudi Riyal. Bank balances placed in saving accounts earn interest at an average rate of 1% per annum at 31 December 2025 (2024: same).
- Short-term deposits are placed with financial institutions in the Kingdom of Bahrain for a period ranging between 30-90 days at an average interest rate of 5.2% per annum at 31 December 2025 (2024: 5.5% per annum).
- At 31 December 2025, the Company had BD 18,971,932 (2024: BD 17,788,496) of undrawn borrowing facilities.

**11 SHARE CAPITAL AND RESERVES**

**a) Share capital**

	<i>2025 BD</i>	<i>2024 BD</i>
Authorised: 100,000,000 shares		
Issued and fully paid: 24,832,500 shares of 100 fils each (2024: same)	<b>2,483,250</b>	2,483,250
Treasury shares 6,930 (2024: 6,930 shares)	<b>(1,373)</b>	(1,373)
<b>Net shares in public issue</b>	<u><b>2,481,877</b></u>	<u>2,481,877</u>

	<i>2025</i>	<i>2024</i>
<b>Performance per share at 31 December</b>		
Earnings per 100 fils share (fils)	<b>47.10</b>	17.43
Net asset value per 100 fils share (fils)	<b>1,103</b>	1,082
Stock exchange price per 100 fils share (fils)	<b>370</b>	360
Stock exchange price to earnings ratio	<b>7.9</b>	20.7
Total market capitalisation (BD)	<u><b>9,188,025</b></u>	<u>8,939,700</u>

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 are as follows:

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 11 SHARE CAPITAL AND RESERVES (continued)

#### a) Share capital (continued)

2025	Nationality	No. of shares	% holding
- Bahrain Food Holding Company - W.L.L.	Bahraini	16,322,806	65.73
- Abdulhameed Zainal Mohammed	Bahraini	2,220,586	8.94
- Kuwait Flour Mills and Bakeries Company K.S.C.	Kuwaiti	1,848,000	7.44
<hr/>			
2024			
- Bahrain Food Holding Company - W.L.L.	Bahraini	16,322,806	65.73
- Abdulhameed Zainal Mohammed	Bahraini	2,048,877	8.25
- Kuwait Flour Mills and Bakeries Company K.S.C.	Kuwaiti	1,848,000	7.44
<hr/>			

(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*	2025		% of total outstanding shares
	Number of shares	Number of shareholders	
Less than 1%	4,441,108	1,796	17.89%
5% up to less than 50%	4,068,586	2	16.38%
50% and above	16,322,806	1	65.73%
	<b>24,832,500</b>	<b>1,799</b>	<b>100.00%</b>

Categories*	2024		% of total outstanding shares
	Number of shares	Number of shareholders	
Less than 1%	4,612,817	1,753	18.58%
5% up to less than 50%	3,896,877	2	15.69%
50% and above	16,322,806	1	65.73%
	<b>24,832,500</b>	<b>1,756</b>	<b>100.00%</b>

The total number of shares above consist of treasury shares of 6,930 shares as at 31 December 2025 (2024: 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 memorandum and articles of association, 10% of the profit for the year is to be transferred to a 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 equaled 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**11 SHARE CAPITAL AND RESERVES (continued)**

**c) Other reserve**

The other reserve has been made in accordance with the memorandum and articles of association of the Company for purposes to be determined by a General Meeting. This includes purposes 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 this reserve in the event of price fluctuation and future expansion. There are no restrictions on the distribution of this reserve.

**12 EMPLOYEES' END OF SERVICE BENEFITS**

The carrying amounts of the provision for employees' end of service benefits and the movements during the year are as follows:

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
At 1 January	<b>146,531</b>	153,320
Charge for the year	<b>29,238</b>	28,149
Paid during the year to leaving employees	<b>(729)</b>	(16,128)
Paid during the year to SIO	<b>(24,565)</b>	(18,810)
<b>At 31 December</b>	<b>150,475</b>	146,531

**13 TERM LOAN**

The Company has obtained a loan to finance the mill expansion project as well as other operating needs through a repo facility arrangement with a financial institution with an aggregate limit of BD 2,250,000 (the "Facility Amount"). The Board of Directors utilised the proceeds of term loan to finance the mill expansion project only. The loan is secured against debt securities and as per the arrangement the value of the collateral must always exceed the Facility Amount and a minimum collateral ratio of 1.33x or a loan-to-value ratio ("LTV") of 75% or below is required to be maintained. At 31 December 2025, the fair value of debt securities held as collateral is BD 4,101,257 (2024: BD 4,002,471). The term loan is for a three-month period with a mutual option to rollover for further periods of three or six months indefinitely. The loan carries annual interest rate of 3 month SOFR plus 2% being 5.85% per annum at 31 December 2025 (2024: 6.36% per annum). Management of the Company intends to rollover the term loan until 2030.

**14 TRADE PAYABLES AND OTHER LIABILITIES**

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Trade payables	<b>88,723</b>	86,601
Dividends payable	<b>54,276</b>	54,276
Contract liabilities	<b>44,324</b>	60,085
Retention payables	<b>61,201</b>	51,615
Interest accrued	<b>25,609</b>	23,874
Accrued expenses and other payables	<b>291,235</b>	340,475
	<b>565,368</b>	616,926

Terms and conditions of the financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.
- Dividends payable represents unclaimed dividends for which the cheques issued to the shareholders have become stale and are payable on demand.
- Retention payables are non-interest bearing and are normally settled after the completion of respective project by the contractors.
- Interest accrued is paid within 30 to 180 days based on the terms of the underlying financial instruments.

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 15 IMPORT FINANCE LOANS

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
At 1 January	<b>2,258,413</b>	2,210,479
Loans availed during the year	<b>3,221,207</b>	10,299,937
Loans repaid during the year	<b>(4,405,884)</b>	(10,252,003)
<b>At 31 December</b>	<b><u>1,073,736</u></b>	<b><u>2,258,413</u></b>

The Company has a facility arrangement with financial institutions with an aggregate limit of BD 20 million. Import finance loans are unsecured and are re-payable within three to six months. The loans carry an annual interest rate of 6 month BHIBOR plus 1.5% being 6.84% per annum at 31 December 2025 (2024: 7.85% per annum). Interest cost on these loans is recovered from the Government through the subsidy arrangement.

### 16 AMOUNT DUE TO THE GOVERNMENT

The Company has entered into an arrangement with the Ministry of Finance and National Economy of the Kingdom of Bahrain, to receive advance payment against the import of wheat. The main purpose of such an advance payment is to support the payment of wheat shipments. As a part of the funding mechanism, Government subsidy is adjusted against advance received from the Government and any unadjusted balance is payable or receivable to or from the Government at year end.

As at 31 December 2025, the Company also had an unadjusted advance of BD 2,940,320 (2024: nil) received from the Government in relation to a wheat shipment imported in November 2025. This amount will be adjusted against the subsidy on future sales and has therefore been classified as an advance received from the Government.

The movements in amount due to the Government during the year are as follows:

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
At 1 January	<b>2,902,669</b>	2,083,158
Payment made during the year	<b>(2,902,669)</b>	(2,093,634)
Advance received (excluding November shipment)	<b>8,862,323</b>	13,595,956
Advance adjusted	<b>(8,572,783)</b>	(11,157,063)
Adjustment of finance costs	-	10,476
	<b><u>289,540</u></b>	<u>2,438,893</u>
Subsidy payable to the Government	<b>1,432,114</b>	463,776
	<b><u>1,721,654</u></b>	<b><u>2,902,669</u></b>

### 17 REVENUE

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

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
<b>a) Type of goods</b>		
Flour	<b>5,099,313</b>	5,029,133
Bran	<b>1,232,131</b>	1,344,212
Special products	<b>1,223,217</b>	1,156,391
Bulk wheat	-	76,164
	<b><u>7,554,661</u></b>	<u>7,605,900</u>
<b>b) Geographical markets</b>		
Kingdom of Bahrain	<b><u>7,554,661</u></b>	<u>7,605,900</u>

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 17 REVENUE (continued)

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
<b>c) Timing of revenue recognition</b>		
Recorded at a point in time	<b>7,554,661</b>	7,605,900

### 18 COST OF REVENUE

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Raw material- subsidised sales (note 19)	<b>14,437,685</b>	15,707,149
Raw material- commercial sales	<b>11,232</b>	49,778
Landing costs on import of wheat and flour (note 19)	<b>164,160</b>	200,686
Staff costs	<b>701,064</b>	643,505
Depreciation on property, plant and equipment (note 4)	<b>855,034</b>	806,401
Depreciation on right-of-use assets (note 6)	<b>32,445</b>	28,770
Packing materials and additives	<b>270,694</b>	315,941
Maintenance, repairs and utilities	<b>653,758</b>	671,178
(Reversal) charge for slow moving and obsolete inventories (note 8)	<b>(2,750)</b>	83,414
Others	<b>110,340</b>	97,541
	<b>17,233,662</b>	18,604,363

### 19 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 (2024: same) and the value of sales of these products made during the year.

The following table shows the details of the Government subsidy:

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Actual cost of wheat used for products sold subject to subsidy (note 18)	<b>14,437,685</b>	15,707,149
Plus: landing costs on import of wheat (note 18)	<b>164,160</b>	200,686
	<b>14,601,845</b>	15,907,835
Plus: conversion cost per ton of wheat products sold subject to subsidy	<b>4,075,460</b>	4,100,646
	<b>18,677,305</b>	20,008,481
Gross sales subject to subsidy	<b>(7,608,599)</b>	(7,590,698)
	<b>11,068,706</b>	12,417,783
Plus: compensation (note 19.1)	<b>1,400,000</b>	-
	<b>12,468,706</b>	12,417,783

19.1 This represents the amount approved by the Ministry of Finance and National Economy of the Kingdom of Bahrain during 2025 to compensate for the increase in conversion costs per ton of the subsidised products sold.

Quantity sold during the year was 125,402 tons out of which 125,307 tons were subsidised and 95 tons were commercial sales (2024: 126,659 tons out of which 126,198 tons were subsidised and 461 tons were commercial sales).

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 20 GENERAL AND ADMINISTRATIVE EXPENSES

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Staff costs	888,775	1,064,021
Maintenance, utilities and administrative	421,910	501,432
Depreciation on property, plant and equipment (note 4)	32,286	27,082
Amortisation of intangible assets (note 5)	22,699	20,487
Deprecation on right-of-use assets (note 6)	372,895	236,517
Board sitting fees	64,800	63,000
Board of directors' remuneration	60,000	46,815
Professional fees	45,548	39,078
Reversal of allowance for expected credit losses (note 9)	(1,291)	-
	<b>1,907,622</b>	<b>1,998,432</b>

### 21 INTEREST INCOME FROM INVESTMENT SECURITIES AT AMORTISED COST - NET

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

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Interest income	277,046	254,062
Management fee	(42,354)	(42,894)
	<b>234,692</b>	<b>211,168</b>

Investment securities at amortised cost carry an average effective interest rate of 7.11% per annum (2024: 6.35% per annum).

### 22 FINANCE COSTS

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Interest expense on lease liabilities (note 6)	347,006	170,426
Interest expense on bank overdraft and import finance loans	87,330	83,801
Interest expense on term loan	136,936	133,965
	<b>571,272</b>	<b>388,192</b>

### 23 OTHER INCOME

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Delivery income	25,207	21,522
Income from shipment claims	49,079	41,609
Interest income on bank balances and short-term deposits	131,097	221,113
Others	125,616	100,477
	<b>330,999</b>	<b>384,721</b>

### 24 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:

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 24 EARNINGS PER SHARE (continued)

	2025	2024
Net profit for the year (BD)	<u>1,174,895</u>	<u>432,791</u>
Weighted average number of equity shares in issue	<u>24,825,570</u>	<u>24,825,570</u>
Basic and diluted earnings per share (fils)	<u>47.33</u>	<u>17.43</u>

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

### 25 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders who have control or significant influence over the Company, key management personnel of the Company as well as their immediate family members, 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 organisations as its related parties. The Company purchases electricity, receives subsidy against the sale of goods in the local market, receives grant against specific expenses incurred, pays lease rentals and receives other services from various Government, semi-Government organisations and other Government related entities in the Kingdom of Bahrain. Other than the subsidy and grant, all such other transactions are not considered to be individually significant. All related party transactions and balances are in the normal course of business.

Significant transactions with the Government and other related parties included in the statement of comprehensive income are as follows:

	2025 BD	2024 BD
<b>Government</b>		
Government subsidy (note 19)	<u>12,468,706</u>	<u>12,417,783</u>
Other operating income	<u>411,892</u>	<u>370,449</u>
<b>Affiliates of Ultimate Parent</b>		
Finance costs on import finance loans	<u>342</u>	<u>19,416</u>
Interest income on bank balances and short-term deposits	<u>6,700</u>	<u>5,530</u>
General and administrative expenses	<u>23,241</u>	<u>21,501</u>

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

	2025 BD	2024 BD
<b>Government</b>		
Subsidy receivable (note 9) *	<u>1,891,669</u>	<u>-</u>
Amount due to the Government (note 16) *	<u>1,721,654</u>	<u>2,902,669</u>
Advance received from the Government	<u>2,940,320</u>	<u>-</u>
<b>Affiliates of Ultimate Parent</b>		
Bank balances and short-term deposits	<u>510,702</u>	<u>134,617</u>

**25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

\*Based on communication with the Government, these are expected to be settled on a gross basis and accordingly these have not been offset.

**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 in cash. Outstanding balances with affiliates of Ultimate Parent arise in the normal course of business, are unsecured, carry interest at market rates and settlement occurs in cash. For the years ended 31 December 2025 and 31 December 2024, the Company has not recorded any allowance for expected credit losses on amounts owed by related parties as management believes that these are fully recoverable.

**Compensation of key management personnel**

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

The remuneration of key management personnel included in the statement of comprehensive income are as follows:

	<b>2025</b>	<b>2024</b>
	<b><i>BD</i></b>	<b><i>BD</i></b>
<b>Board of Directors:</b>		
Remuneration (note 20)	<b>60,000</b>	46,815
Sitting fees (note 20)	<b>64,800</b>	63,000
Other expenses	<b>17,672</b>	19,203
<b>Other members of key management:</b>		
Salaries and short-term benefits	<b>408,721</b>	495,477
End of service benefits	<b>19,784</b>	15,648
	<b>570,977</b>	640,143

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

	<b>2025</b>	<b>2024</b>
	<b><i>BD</i></b>	<b><i>BD</i></b>
<b>Board of Directors:</b>		
Remuneration	<b>60,000</b>	46,815
<b>Other members of key management:</b>		
Salaries and short-term benefits	<b>17,162</b>	20,480
End of service benefits	<b>88,548</b>	97,975
	<b>165,710</b>	165,270

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES**

**Introduction**

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.

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)**

**Introduction (continued)**

The Company's Audit, Compliance and Risk Committee ("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 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:

**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 investments in debt securities.

*Receivables and other assets*

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. Management believes that the credit risk associated with subsidy and other receivables is 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, the Company has recorded an allowance for expected credit losses of BD 90,709 (2024: BD 92,000).

*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 financial institutions.

*Investments in 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 2025 (2024: 99%).

*Maximum exposure to credit risk*

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

# Bahrain Flour Mills Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 26 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

#### Credit risk (continued)

Maximum exposure to credit risk (continued)

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
Investment securities at amortised cost	<b>3,904,205</b>	3,918,414
Receivables and other assets	<b>2,060,518</b>	184,403
Bank balances and short-term deposits	<b>4,761,034</b>	4,375,512
	<b><u>10,725,757</u></b>	<u>8,478,329</u>

#### 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 on 30 to 90 day 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.

	<b>Less than 3 months BD</b>	<b>3 to 12 months BD</b>	<b>1 to 5 years BD</b>	<b>More than 5 years BD</b>	<b>Total BD</b>
<b>2025</b>					
Lease liabilities	<b>82,718</b>	<b>248,154</b>	<b>1,698,695</b>	<b>6,738,832</b>	<b>8,768,399</b>
Term loan	<b>2,152,342</b>	-	-	-	<b>2,152,342</b>
Trade payables	<b>88,723</b>	-	-	-	<b>88,723</b>
Dividends payable	<b>54,276</b>	-	-	-	<b>54,276</b>
Retention payables	-	<b>61,201</b>	-	-	<b>61,201</b>
Import finance loans	<b>1,095,210</b>	-	-	-	<b>1,095,210</b>
Amount due to the Government	<b>1,721,654</b>	-	-	-	<b>1,721,654</b>
	<b><u>5,194,923</u></b>	<b><u>309,355</u></b>	<b><u>1,698,695</u></b>	<b><u>6,738,832</u></b>	<b><u>13,941,805</u></b>
	<b>Less than 3 months BD</b>	<b>3 to 12 months BD</b>	<b>1 to 5 years BD</b>	<b>More than 5 years BD</b>	<b>Total BD</b>
<b>2024</b>					
Lease liabilities	82,718	248,154	1,698,695	7,080,536	9,110,103
Term loan	2,237,311	-	-	-	2,237,311
Trade payables	86,601	-	-	-	86,601
Dividends payable	54,276	-	-	-	54,276
Retention payable	-	51,615	-	-	51,615
Import finance loans	1,727,051	568,297	-	-	2,295,348
Amount due to the Government	2,902,669	-	-	-	2,902,669
	<b><u>7,090,626</u></b>	<b><u>868,066</u></b>	<b><u>1,698,695</u></b>	<b><u>7,080,536</u></b>	<b><u>16,737,923</u></b>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)**

**Changes in liabilities arising from financing activities**

	<i>At</i>	<i>Cash flows</i>			<i>At</i>
	<i>1 January</i>	<i>Receipts</i>	<i>Payments</i>	<i>Others</i>	<i>31 December</i>
	<i>2025</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>2025</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Lease liabilities	4,723,491	-	(341,704)	347,006	4,728,793
Term loan	2,202,091	-	(80,773)	-	2,121,318
Import finance loan	2,258,413	3,221,207	(4,405,884)	-	1,073,736
Amount due to the Government	2,902,669	8,862,323	(2,902,669)	(7,140,669)	1,721,654
Advance received from the Government	-	2,940,320	-	-	2,940,320
Dividends payable	54,276	-	(620,620)	620,620	54,276
	<b>12,140,940</b>	<b>15,023,850</b>	<b>(8,351,650)</b>	<b>(6,173,043)</b>	<b>12,640,097</b>

	<i>At</i>	<i>Cash flows</i>			<i>At</i>
	<i>1 January</i>	<i>Receipts</i>	<i>Payments</i>	<i>Others</i>	<i>31 December</i>
	<i>2024</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>2024</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Import finance loan	2,210,479	10,299,937	(10,252,003)	-	2,258,413
Term loan	1,832,871	369,220	-	-	2,202,091
Amount due to the Government	2,083,158	13,595,956	(2,093,634)	(10,682,811)	2,902,669
Lease liabilities	1,251,512	-	(311,937)	3,783,916	4,723,491
Dividends payable	54,415	-	(620,759)	620,620	54,276
	<b>7,432,435</b>	<b>24,265,113</b>	<b>(13,278,333)</b>	<b>(6,278,275)</b>	<b>12,140,940</b>

**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.

*Interest rate risk*

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 of floating interest rates bearing term loan and import finance loans as follows:

	<u>2025</u>		<u>2024</u>	
	+	-	+	-
Increase (decrease) in basis points	+100	(100)	+100	(100)
(Decrease) increase in profit [in BD]	<b>(7,656)</b>	<b>7,656</b>	<b>(10,243)</b>	<b>10,243</b>

*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).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)**

**Market risk (continued)**

*Foreign currency risk (continued)*

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 investments. 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 a 5% change in fair value of investments at fair value through profit or loss, with all other variables held constant, is BD 643,927 (2024: BD 646,775).

**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 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 2025 and 31 December 2024. Equity comprises of share capital, share premium, statutory reserve, other reserves and retained earnings and is measured at BD 27,392,871 at 31 December 2025 (2024: BD 26,863,596).

**27 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:

	<b>2025</b>		
	<i>Fair value through profit and loss BD</i>	<i>Amortised cost BD</i>	<i>Total carrying value BD</i>
<b>Financial assets</b>			
Investment securities	12,878,542	3,904,205	16,782,747
Receivables and other assets	-	2,060,518	2,060,518
Bank balances, short-term deposits and cash	-	4,763,209	4,763,209
	<u>12,878,542</u>	<u>10,727,932</u>	<u>23,606,474</u>
	<b>2024</b>		
	<i>Fair value through profit and loss BD</i>	<i>Amortised cost BD</i>	<i>Total carrying value BD</i>
<b>Financial assets</b>			
Investment securities	12,992,041	3,918,414	16,910,455
Receivables and other assets	-	184,403	184,403
Bank balances, short-term deposits and cash	-	4,377,581	4,377,581
	<u>12,992,041</u>	<u>8,480,398</u>	<u>21,472,439</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**27 CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS  
(continued)****Classification (continued)**

	<b>2025</b>	<b>2024</b>
	<b>BD</b>	<b>BD</b>
<b><i>Financial liabilities at amortised cost</i></b>		
Lease liabilities	<b>4,728,793</b>	4,723,491
Term loan	<b>2,121,318</b>	2,202,091
Trade payables and other liabilities	<b>229,809</b>	216,366
Import finance loans	<b>1,073,736</b>	2,258,413
Amount due to the Government	<b>1,721,654</b>	2,902,669
	<b>9,875,310</b>	12,303,030

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

Fair values of quoted equity investments and a managed 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 and prior years.

***Fair value of other financial instruments***

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

- a) Receivables and other assets, bank balances, short-term deposits and cash, 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 (2024: same).
- b) Investment securities at amortised cost, lease liabilities, term loan and import finance loans 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 (2024: same).

**28 APPROPRIATIONS**

At the Annual General Meeting of the shareholders held on 26 March 2025, a final cash dividend of 25 fils per share totalling BD 620,620 and contribution to charity of BD 25,000 for the year ended 31 December 2024 were declared (2024: at the Annual General Meeting of the shareholders held on 27 March 2024, a final cash dividend of 25 fils per share totalling BD 620,620 and contribution to charity of BD 25,000 for the year ended 31 December 2023 were declared).

The directors' remuneration of BD 46,815 for the year ended 31 December 2024 was approved by the shareholders at the Annual General Meeting held on 26 March 2025 (2024: the directors' remuneration of BD 60,000 for the year ended 31 December 2023 was approved by the shareholders at the Annual General Meeting held on 27 March 2024).

**29 COMMITMENT**

At 31 December 2025, the Company had a commitment in respect of an outstanding letter of credit issued by a financial institution amounting to BD 82,514 (2024: nil). The letter of credit is expected to be settled within one year.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**30 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), and is subject to risks and rewards that are different from those of other segments. The Company's activities mainly comprise two segments (i) Flour Mills and (ii) Investments.

The following are the amounts of income, expenses, assets, liabilities and capital expenditure relating to the Company's flour sales segment:

- Total income for the year ended 31 December 2025 amounted to BD 20,766,258 (2024: BD 20,778,853), while expenses for the year amounted to BD 19,712,556 (2024: BD 20,990,987).
- Total assets as at 31 December 2025 amounted to BD 23,911,788 (2024: BD 22,803,262), and total liabilities amounted to BD 13,301,664 (2024: BD 12,850,121).
- Total capital expenditure on property, plant and equipment for the year ended 31 December 2025 amounted to BD 403,658 (2024: BD 1,490,571).

Refer to notes 7 and 21 for details on income, expenses, assets and liabilities of the Company's investments segment.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

**31 COMPARATIVE INFORMATION**

The following comparative figures have been reclassified in order to conform to the current year presentation. Such reclassifications do not affect previously reported profit / (loss) or equity.

	<i>As previously reported BD</i>	<i>Re- classification BD</i>	<i>Reclassified BD</i>
<b>Statement of comprehensive income</b>			
Cost of revenue	(18,917,485)	313,122	(18,604,363)
General and administrative expenses	(1,685,310)	(313,122)	(1,998,432)