Bahrain Flour Mills Company B.S.C.

Financial statements

31 December 2017

Bahrain Flour Mills Company B.S.C.

FINANCIAL STATEMENTS
For the year ended 31 December 2017

CONTENTS

Commercial registration	1170 (Bahrain Joint Stock Company)
Board of directors	Mr. Abdullateef Al Aujan (*Chairman)* Mr. Salah Mohamed Al Kulaib *(Vice chairman)* Ms. Afnan Rashid Al Zayani Mr. Abbas Abdul Mohsen Radhi Mr. Adel Ahmed Abdulmalik Mr. Marwan Khaled Tabbara Dr. Marwa Khalid Al Sabbagh Mr. Ayman A. Hameed Zainal
Audit committee	Mr. Abbas Abdul Mohsen Ahmed Radhi *(Chairman)* Ms. Afnan Rashid Al Zayani Mr. Adel Ahmed Abdulmalik Mr. Ayman A. Hameed Zainal
Corporate governance committee	Mr. Abbas Abdul Mohsen Ahmed Radhi *(Chairman)* Ms. Afnan Rashid Al Zayani Mr. Adel Ahmed Abdulmalik Mr. Ayman A. Hameed Zainal
Nomination and remuneration committee	Mr. Abdullateef Al Aujan (*Chairman)* Mr. Salah Mohamed Al Kulaib Mr. Abbas Abdul Mohsen Ahmed Radhi Dr. Marwa Khalid Al Sabbagh
Investment committee	Mr. Abdullateef Khalid Al Aujan *(Chairman)* Mr. Marwan Khaled Tabbara Dr. Marwa Khalid Al Sabbagh
Wheat purchasing committee	Mr. Abdullateef Khalid Al Aujan *(Chairman)* Mr. Marwan Khaled Tabbara Mr. Salah Mohamed Al Kulaib
Chief Operating Officer	Atif Al Khaja
Office and plant	Building No. 1773, Road No. 4236, Block No. 342 P.O. Box 26787 Manama, Kingdom of Bahrain Telephone 17729984, Fax 17729312 E-Mail: info@bfm.bh
Bankers	BBK BSC Ahli United Bank BSC National Bank of Bahrain BSC Arab Bank NBK
Auditors	KPMG Fakhro
Shares registrar	Karvy Computershare W.L.L.

المطاحن
AL-MATAHIN

Board of Directors Report

Dear Shareholders,

I am pleased on behalf of the Board of Directors of Al Matahin to present to you the annual report for the fiscal year ended December 31, 2017.

Bahrain Flour Mills Company, has maintained its leadership position in the Bahrain market and in the marketing of all its products, as it has achieved a net profit for the year 2017, that has amounted to BD. 5,003,773/-.

I am also pleased to present to you the Board of Directors recommendation to the AGM to distribute dividends for the year ended December 31, 2017 as follows:

- Distribution of a cash dividend of 20 fils per share, or 20% of the paid-up capital, amounting to a total BD 496,511/-

- Allocation of BD. 60,000/- for Board of Directors Remuneration.

- Allocation of BD 20,000/- for charity.

Dear shareholders,

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

BAHRAIN FLOUR MILLS Co. شركة البحرين لمطاحن الدقيق
ص.ب ٢٦٧٨٧ | المنامة | مملكة البحرين | هاتف: ٩٧٣+ ١٧٧٢٩٩٨٤ | فاكس: ٩٧٣+ ١٧٧٢٩٣١٢
P.O. Box 26787 | Manama | Kingdom of Bahrain | Phone: +973 17729984 | Fax: +973 17729312
E-mail: info@bfm.bh : البريد الألكتروني | Website: www.bfm.bh : الموقع الألكتروني

Thanks and Gratitude.

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

We assure that the Company's success is not possible without the hard work and dedication of management and staff, this is shared by the Board of Directors to provide our thanks and our appreciation and gratitude for the management of the company and all its employees for their dedication to work and their achievements to assure the best possible results in 2017. We are fortunate to have such a committed and outstanding team, and we are confident that this team will continue to achieve the best possible results in the future.

A. Latif Khalid Al Aujan
Chairman
February 2018

BAHRAIN FLOUR MILLS Co. شركة البحرين لمطاحن الدقيق
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CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Flour Mills Company BSC
PO Box 26787
Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bahrain Flour Mills Company BSC (the "Company") which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2017. 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.

Impairment of available-for-sale investments

Refer to Note 6 to the financial statements.

Description	***How the matter was addressed in our audit***
We focused on this matter because : • of the significance of quoted available-for-sale investments (representing 31% of total assets) and its contribution to the company's net profit. • the company makes subjective judgments when assessing investments for impairment.	Our audit procedures included: • testing the design and operating effectiveness of controls over the process of identification and assessment of investments for impairment; • testing the valuation of quoted securities by agreeing the prices used in the valuation to externally quoted prices; • examining whether management has identified all investments that have experienced a decline in fair value below cost; • evaluating whether the Company's application of the significant or prolong test is consistent with the relevant accounting standard; and • assessing the adequacy of the Company's disclosures related to impairment of investments by reference to relevant accounting standards.

Completeness and accuracy of government subsidy

Refer to Note 13 to the financial statements.

Description	*How the matter was addressed in our audit*
The Company's products are subsidised by the government of the Kingdom of Bahrain. We focused on this matter because of significance of the subsidy amount representing 40% of total income, and importance of the subsidy to the operations of the Company.	Our audit procedures included: • testing the design and operating effectiveness of controls over the process of recognising and claiming government subsidy; • assessing whether claims made by company are in line with memorandum of understanding agreed with Ministry of Industry, Commerce and Tourism; • agreeing the amount of subsidy received with the amount verified and approved by Ministry of Industry, Commerce, and Tourism; and • assessing the adequacy of the Company's disclosures related to government subsidy by reference to relevant accounting standards.

Impairment of inventory

Refer to Note 5 to the financial statements.

Description	*How the matter was addressed in our audit*
We focused on this matter because : • the Company has significant inventory and spare parts representing 21 % of total assets. • The determination of the level of impairment allowance involves judgment and estimation uncertainty.	Our audit procedures included: • testing the design and operating effectiveness of controls over the process of identification of slow moving items; • testing the ageing of spare parts inventory on a sample basis; • challenging the Company's assumptions in calculating the slow moving and obsolete inventories; • attending year-end inventory stock count to observe stock count procedures and test a sample of inventory items; and • assessing the adequacy of the Company's disclosures related to provision on inventory by reference to relevant accounting standards.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements for the year ended 31 December 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
b) the financial information contained in the directors' report is consistent with the financial statements;
c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law, or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

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

KPMG

KPMG Fakhro
Partner Registration No. 83
13 February 2018

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

Bahraini Dinars

	Note	31 December 2017	31 December 2016
ASSETS			
Current assets			
Cash and cash equivalents		3,707,213	3,774,009
Trade and other receivables	4	2,796,719	2,649,374
Inventory	5	4,565,286	5,333,325
Total current assets		**11,069,218**	11,756,708
Non-current assets			
Available-for-sale investments	6	6,731,064	6,275,515
Property, plant and equipment	7	4,210,938	4,660,047
Total non-current assets		**10,942,002**	10,935,562
Total assets		**22,011,220**	22,692,270
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	8	622,284	2,467,874
Import finance loans	9	3,038,622	1,679,407
Total current liabilities		**3,660,906**	4,147,281
Non-current liabilities			
Provision for employees' leaving indemnity	10	43,243	53,335
Total liabilities		**3,704,149**	4,200,616
Equity			
Share capital	11	2,481,877	2,481,877
Share premium		1,350,000	1,350,000
Statutory reserve		1,241,625	1,241,625
Investments fair value reserve		107,240	4,779,085
Other reserves		3,463,628	3,463,628
Retained earnings		9,662,701	5,175,439
Total equity (page 11,12)		**18,307,071**	18,491,654
Total equity and liabilities		**22,011,220**	22,692,270

These financial statements, set out on pages 8 to 32, were approved by the Board of Directors on 13 February 2018 and signed on its behalf by:

Abdullatif Khalid Alujan
Chairman

Salah Mohamed Al Kulaib
Vice Chairman

Bahrain Flour Mills Company B.S.C.

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017 Bahraini Dinars

	Note	2017	2016
Sales		**6,991,506**	6,464,990
Cost of sales	12	(13,161,504)	(13,191,267)
Gross loss before government subsidy		**(6,169,998)**	(6,726,277)
Government subsidy	13	7,847,577	8,189,551
Gross profit		**1,677,579**	1,463,274
Other operating expenses	14	(1,294,731)	(1,301,718)
Profit from operations		**382,848**	161,556
Investment income	15	4,483,196	577,474
Other income	16	178,270	98,496
Impairment on available-for-sale investments	6	(40,541)	(34,459)
Profit for the year		**5,003,773**	803,067
Earning per share	17	**202 fils**	32 fils

These financial statements, set out on pages 8 to 32, were approved by the Board of Directors on 13 February 2018 and signed on its behalf by:

Abdullatif Khalid Alujan
Chairman

Salah Mohamed Al Kulaib
Vice Chairman

Bahrain Flour Mills Company B.S.C.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017 Bahraini dinars

	Note	2017	2016
Profit for the year		**5,003,773**	803,067
Other comprehensive income:			
Items that are or may subsequently be reclassified to profit or loss:			
Change in fair value of available-for-sale investments	6	(340,702)	(130,504)
Transferred to profit or loss on sale of available-for-sale investments	15	(4,331,143)	(187,854)
Total other comprehensive income for the year		**(4,671,845)**	(318,358)
Total comprehensive income for the year		**331,928**	484,709

These financial statements consist of pages 8 to 32.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

Bahraini Dinars

	Share capital	Share premium	Reserves			Retained earnings	Total
2017			Statutory reserve	Investments fair value reserve	Other reserves		
At 1 January 2017	2,481,877	1,350,000	1,241,625	4,779,085	3,463,628	5,175,439	18,491,654
Comprehensive income:							
Profit for the year	-	-	-	-	-	**5,003,773**	**5,003,773**
Other comprehensive income:							
Items that are or may be reclassified to profit or loss:							
Change in fair value of available-for-sale investments	-	-	-	(340,702)	-	-	(340,702)
Transferred to profit or loss on sale of available-for-sale investments	-	-	-	(4,331,143)	-	-	(4,331,143)
Total other comprehensive income for the year	-	-	-	***(4,671,845)***	-	-	***(4,671,845)***
Total comprehensive income for the year	-	-	-	***(4,671,845)***	-	***5,003,773***	***331,928***
Dividend declared for 2016	-	-	-	-	-	(496,511)	(496,511)
Charity contribution	-	-	-	-	-	(20,000)	(20,000)
At 31 December 2017	**2,481,877**	**1,350,000**	**1,241,625**	**107,240**	**3,463,628**	**9,662,701**	**18,307,071**

These financial statements consist of pages 8 to 32.

Bahrain Flour Mills Company B.S.C.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

Bahraini Dinars

2016	Share capital	Share premium	Reserves			Retained earnings	Total
			Statutory reserve	Investments fair value reserve	Other reserves		
At 1 January 2016	2,481,877	1,350,000	1,241,625	5,097,443	3,463,628	4,888,883	18,523,456
Comprehensive income:							
Profit for the year	-	-	-	-	-	803,067	803,067
Other comprehensive income:							
Items that are or may be reclassified to profit or loss:							
Change in fair value of available-for-sale investments	-	-	-	(130,504)	-	-	(130,504)
Transferred to profit or loss on sale of available-for-sale investments	-	-	-	(187,854)	-	-	(187,854)
Total other comprehensive income for the year	-	-	-	*(318,358)*	-	-	*(318,358)*
Total comprehensive income for the year	-	-	-	*(318,358)*	-	*803,067*	*484,709*
Dividend declared for 2015	-	-	-	-	-	(496,511)	(496,511)
Charity contributions	-	-	-	-	-	(20,000)	(20,000)
At 31 December 2016	2,481,877	1,350,000	1,241,625	4,779,085	3,463,628	5,175,439	18,491,654

These financial statements consist of pages 8 to 32.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

Bahraini dinars

	2017	2016
OPERATING ACTIVITIES		
Profit for the year	**5,003,773**	803,067
Adjustments for:		
Depreciation	648,764	699,237
Loss/ (profit) from sale of property, plant and equipment	(812)	1,907
Impairment loss on available-for-sale investments	40,541	34,459
Profit on sale of available-for-sale investments	(4,331,143)	(187,854)
Changes in operating assets and liabilities:		
Inventories	768,039	1,483,562
Trade and other receivables	(147,345)	303,357
Trade and other payables	(1,881,133)	(532,229)
Employees' terminal benefits	(10,092)	(30,414)
Net cash generated from operating activities	**90,592**	2,575,092
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(200,761)	(83,828)
Proceeds from sale of available-for-sale investments	5,332,389	214,010
Purchase of available-for-sale investments	(6,169,181)	-
Proceeds from sale of property, plant and equipment	1,918	3,800
Net cash (used in) / generated from investing activities	**(1,035,635)**	133,982
FINANCING ACTIVITIES		
Import finance loans availed	11,770,797	9,776,585
Repayment of import finance loans	(10,411,582)	(10,579,896)
Dividends paid	(480,968)	(447,166)
Net cash generated from / (used in) financing activities	**878,247**	(1,250,477)
Net (decrease) / increase in cash and cash equivalents during the year	**(66,796)**	1,458,597
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,774,009	2,315,412
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**3,707,213**	3,774,009
COMPRISING:		
Cash on hand	1,071	1,790
Bank balances	3,706,142	3,772,219
	3,707,213	3,774,009

These financial statements consist of pages 8 to 32.

1 REPORTING ENTITY

Bahrain Flour Mills Company B.S.C. ("the Company") is a Bahraini public shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 1170 obtained on 16 July 1970. The Company was incorporated by an Amiri Charter dated 9 May 1970 for a period of 50 years, and commenced its commercial operations on 1 May 1972. The Company's shares are listed on Bahrain Bourse.

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

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

2 BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Bahrain Commercial Companies Law 2001.

b) Basis of measurement

The financial statements have been drawn up from the accounting records of the Company under the historical cost convention, except for available for sale investments which are stated at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

Judgments

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

2 *BASIS OF PREPARATION (continued)*

Impairment of inventories
The Company reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have been impaired. The Company identifies the inventories, which have been impaired based on the age of the inventory and their estimate of the future demand for various items in the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience and prevalent market conditions.

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

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

Useful life and residual value of property, plant and equipment
The Company reviews the useful life and residual value of the property, plant and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

d) New standards, amendments and interpretations effective from 1 January 2017

The following standards, amendments and interpretations, which became effective as of 1 January 2017, are relevant to the Company.

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

The amendments are effective for annual periods beginning on or after 1 January 2017 on prospective basis.

The new disclosure requirements have been included in these financial statements in note 9, where the Company has presented a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however; the Company has not early applied the following new or amended standards in preparing these financial statements.

2 *BASIS OF PREPARATION (continued)*

(i) IFRS 9 Financial Instruments
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 initially on 1 January 2018.

The Company will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information. IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The Company has assessed the estimated impact on initial application of IFRS 9 as at 1 January 2018 on its financial statements as below:

	Retained earnings	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	**9,705,701**	107,240
Impact on reclassification and re-measurements		
Investment equity securities from available-for-sale to those measured at fair value through profit or loss	107,240	(107,240)
Estimated adjusted opening balance under IFRS 9 on date of initial application of 1 January 2018	**9,812,941**	-

(i) Classification and measurement
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: (a) measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through Profit or Loss (FVTPL). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset are no longer bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on the Company's assessment, the new IFRS 9 classification requirements is expected to have an impact on its accounting for investments in equity securities as follows:

At 31 December 2017, the Company had quoted equity investments classified as available-for-sale with a fair value of BD 6,731,064. Under IFRS 9, the Company has designated these investments as measured at FVTPL. Due to this reclassification, an increase of BD 107,240 is estimated in the retained earnings along with a corresponding decrease in fair value reserve due to reclassification of impairment on equity investments measured at fair value through profit or loss to the reserves.

(ii) Disclosure
IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

(ii) IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

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

2 *BASIS OF PREPARATION (continued)*

(iii) IFRS 16 Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and represents amounts receivable for goods supplied or services performed. The Company recognises revenues when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Company; and when specific criteria has been met for each of the Company's activities, as described below:

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

(ii) Dividend income
Dividend income is recognized on the declaration date which is the date when the right to receive is established.

(iii) Interest income
Interest income is recognised as it accrues, using the effective interest rate method.

b) Government subsidy

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

c) Inventories

These are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The cost of the inventory is based on weighted average principle. Cost includes purchases price, freight, custom duty and direct labour charge and other incidental costs. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

d) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Bahraini Dinars, which is the Company's presentation currency.

(ii) Transactions and balances

Monetary assets and liabilities are translated into Bahraini Dinars at exchange rates ruling at the reporting date. Transactions in foreign currencies during the year are converted at the rate ruling at that time. Foreign exchange gains and losses are recognized in the statement of profit or loss. Translation differences for non-monetary items, such as equities classified as available-for-sale investments, are included in a fair value reserve in equity.

e) Operating leases contracts

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

f) Available-for-sale Investments

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

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

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(iv) Impairment

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

g) Trade receivables

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

h) Property, plant and equipment

Property, plant and equipment held for operational purposes are carried at cost less accumulated depreciation and any impairment losses. The cost of the property, plant and equipment includes the cost of bringing them to their present location and condition. Direct costs are capitalized until assets are ready for use. Capital work-in-progress comprises the cost of assets that are not yet ready for their intended use as at the reporting date. The cost of additions and major improvements are capitalised.

(i) Subsequent cost

The Company recognises in the carrying amount of an item of property, plant and equipment, and the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

(ii) Depreciation

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

Building (on leased land)	20 years
Plant and machinery	10 years
Capital spares	10 years
Motor vehicles	4- 10 years
Furniture and office equipment	2-5 years

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

i) Treasury shares

When share capital of the Company is repurchased, the amount of consideration paid is recognized as a change in equity. Repurchased shares classified as treasury shares are carried at cost and are presented as a deduction from equity.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

j) Dividends

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

k) Statutory reserve

In accordance with the Bahrain Commercial Companies Law 2001, 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital. This reserve is distributable only in accordance with the provisions of the law.

l) De-recognition of financial assets and liabilities

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

m) Employee benefits

(i) Bahraini employees
Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this funded scheme, which is a defined contribution scheme under IAS 19, is recognised as an expense in profit or loss.

(ii) Expatriate employees
Employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final salary. Provision for this, which is unfunded, and which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits has been made by calculating the notional liability had all employees left at the reporting date.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and deposits with original maturity of 90 days or less and are subject to insignificant risk of changes in their fair value.

o) Trade and other payables

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

p) Import finance loans

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

q) Board members' remuneration

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

r) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

s) Impairment of non-financial assets:

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

4 TRADE AND OTHER RECEIVABLES

	31 December 2017	31 December 2016
Gross receivables	2,797,488	2,650,143
Less: Provision for impairment	(769)	(769)
	2,796,719	2,649,374

The movement on provision for impairment is as follows:

	31 December 2017	31 December 2016
At 1 January	769	11,215
Charge for the year	-	-
Write off during the year	-	(10,446)
At 31 December	**769**	769

5 INVENTORIES

	31 December 2017	31 December 2016
Wheat in silos	3,328,421	2,156,225
Wheat in transit	5,621	1,894,592
Finished goods	503,257	558,375
Packing materials	107,353	125,798
Spare parts and consumables	912,788	894,627
	4,857,440	5,629,617
Less: provision for obsolete and slow moving inventories	(292,154)	(296,292)
	4,565,286	5,333,325

5 INVENTORIES (continued)

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

	31 December 2017	31 December 2016
At 1 January	296,292	303,497
Released during the year	(4,138)	(7,205)
At 31 December	**292,154**	296,292

6 AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2017	31 December 2016
Quoted equity securities- at fair value	-	5,793,779
Unquoted equity securities - at cost less impairment	-	40,541
Managed funds – at fair value	6,731,064	441,195
	6,731,064	6,275,515

Movement:

At beginning of the year	6,275,515	6,654,488
Addition	6,169,181	-
Disposals	(5,332,389)	(214,010)
Change in fair value of available-for-sale investments	(340,702)	(130,504)
Impairment	(40,541)	(34,459)
At 31 December	**6,731,064**	6,275,515

7 PROPERTY, PLANT AND EQUIPMENT	Buildings	Plant, Machinery and capital spares	Motor vehicles	Furniture and office equipment	Capital Work-in-progress	2017 Total	2016 Total
Cost							
At beginning of year	8,689,952	7,742,660	136,048	749,425	7,042	17,325,127	17,339,096
Additions	15,808	93,279	34,610	55,309	1,755	200,761	83,828
Disposals	-	(1,728)	-	(1,680)	-	(3,408)	(97,787)
Transfers	982	-	-	-	(982)	-	-
At 31 December	**8,706,742**	**7,834,211**	**170,658**	**803,054**	**7,815**	**17,522,480**	17,325,137
Depreciation							
At beginning of year	5,703,789	6,162,077	93,879	705,345	-	12,665,090	12,057,933
Charge for the year:							
- Cost of sales	264,817	320,604	6,832	7,198	-	599,451	672,669
- Others	8,066	17,941	3,627	19,679	-	49,313	26,568
Disposals	-	(632)	-	(1,680)	-	(2,312)	(92,080)
At 31 December	**5,976,672**	**6,499,990**	**104,338**	**730,542**	-	**13,311,542**	12,665,090
Net carrying value at 31 December 2017	**2,730,070**	**1,334,221**	**66,320**	**72,512**	**7,815**	**4,210,938**	4,660,047
At 31 December 2016	2,986,173	1,580,583	42,169	44,080	7,042	4,660,047	

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

8 TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016
Trade payables	60,323	1,961,057
Dividends payable	253,004	237,461
Accrued expenses and other payables	268,582	230,979
Advance from customers	40,375	38,377
	622,284	2,467,874

9 IMPORT FINANCE LOANS

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

	31 December 2017	31 December 2016
At 1 January	1,679,407	2,482,718
Loans availed during the year	11,770,797	9,776,585
Loans repaid during the year	(10,411,582)	(10,579,896)
At 31 December	**3,038,622**	1,679,407

10 PROVISION FOR EMPLOYEES' LEAVING INDEMNITY

The Company's contributions in respect of non-Bahraini employees and one Bahraini staff (2016: two Bahraini staff) as per Bahrain Labor Law for 2017 amounted to 43,243 (2016: BD 53,335).

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

	31 December 2017	31 December 2016
Balance at 1 January	53,335	83,749
Charge for the year	14,485	28,041
Paid during the year	(24,577)	(58,455)
At 31 December	**43,243**	53,335

11 SHARE CAPITAL

	31 December 2017	31 December 2016
Authorised: 100 million shares		
Issued and fully paid: 24,832,500 shares of 100 fils each	2,483,250	2,483,250
6,930 treasury shares (2016: 6,930 shares)	(1,373)	(1,373)
Net shares in public issue	**2,481,877**	2,481,877

Performance per share	**31 December 2017**	31 December 2016
Earnings per 100 fils share	202 fils	32 fils
Net asset value per 100 fils share	739 fils	745 fils
Stock Exchange price per 100 fils per share at 31 December	380 fils	386 fils
Stock Exchange price to earnings ratio	2:1	12:1
Total market capitalisation at 31 December (BD)	**9,436,350**	9,585,345

Additional information on shareholding pattern

(i) Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest on 5% or more of outstanding shares as at 31 December 2017:

	Nationality	**No. of shares**	**% holding**
Bahrain Mumtalakat Holding Company B.S.C. (c)	Bahraini	16,322,806	65.73
Kuwait Flour Mills and Bakeries Company K.S.C.	Kuwaiti	1,848,000	7.44
Abdulhameed Zainal Mohammed	Bahraini	1,469,827	5.92

11 SHARE CAPITAL (continued)

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

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

Categories*	**Number of Shares**	**Number of shareholders**	**% of total outstanding shares**
Less than 1%	4,662,826	1,695	18.78%
1% up to less than 5%	529,041	2	2.13%
5% up to less than 10%	3,317,827	2	13.36%
10% up to less than 20%	-	-	-
20% up to less than 50%	-	-	-
50% and above	16,322,806	1	65.73%
	24,832,500	**1,700**	**100%**

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

12 COST OF SALES

	2017	2016
Raw materials	10,995,863	11,053,301
Staff cost	742,265	735,064
Depreciation	599,451	672,669
Packing materials	224,911	246,736
Maintenance, repairs and utilities	311,553	278,463
Others	287,461	205,034
	13,161,504	13,191,267

13 GOVERNMENT SUBSIDY

Government subsidy is calculated as the difference between the actual cost of wheat purchased and used for local sales products plus BD 31 per ton (2016: BD 31 per ton) sold for all other related costs of flour sold locally, and the total local sales made during the year. The following table shows the details of Government subsidy:

	2017	2016
Actual cost of wheat purchased and used	10,928,402	11,046,444
Plus: BD 31 per ton of wheat products sold locally	3,896,180	3,635,661
	14,824,582	14,682,105
Less: Gross sales subject to subsidy	(6,977,005)	(6,492,554)
	7,847,577	8,189,551

Quantity sold during the year was 125,683 tons (2016: 117,279 tons).

14 OTHER OPERATING EXPENSES

	2017	2016
Staff cost	779,304	837,809
General and administrative expenses	228,180	215,373
Depreciation	49,313	26,568
Board of directors remunerations	60,000	34,077
Professional fees	50,319	58,900
Other	127,615	128,991
	1,294,731	1,301,718

15 INVESTMENT INCOME

	2017	2016
Dividends income	152,053	389,620
Profit on sale of available-for-sale investments*	4,331,143	187,854
	4,483,196	577,474

* During the year, available-for-sale investments with total cost of BD 1,001,246 have been sold for BD 5,332,389 resulting in profit of BD 4,331,143. Refer note 6.

16 OTHER INCOME

	2017	2016
Delivery income	11,366	10,463
Income from shipments claims	31,088	17,301
Service income	8,236	9,192
Bank interest	71,936	22,534
Others	55,644	39,006
	178,270	98,496

17 EARNING PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of equity shares outstanding during the year ended 31 December 2017 as follows:

	2017	2016
Profit for the year	5,003,773	803,067
Weighted average number of equity shares in issue	24,832,500	24,825,570
Basic earnings per share	202 fils	32 fils

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

18 OPERATING LEASES COMMITMENTS

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

	2017	2016
Less than one year	40,332	54,972
Between one and five years	62,983	123,525
More than five years	12,780	115,710
	116,095	294,207

19 SEGMENTAL ANALYSIS

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

20 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company.

a) Transactions and balances with and from related parties

	2017	2016
i) Statement of financial position (common control)		
Receivables	-	3,800
Import finance loans	421,674	1,265,894
Accrued interest payable related to import finance loans	1,293	5,828
	422,967	1,275,522

	2017	2016
ii) Statement of profit or loss (common control)		
Sales	-	10,000
Interests expenses related to import finance loans	31,763	32,588
Other operating expenses	7,134	7,596
	38,897	50,184

20 RELATED PARTY TRANSACTIONS (continued)

b) Transactions with key management personnel

Key management personnel of the Company comprises of the Board of Directors, the Chief Executive Officer and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	2017	2016
Board of Directors' remunerations provision	60,000	34,077
Directors' fees	71,994	61,550
Other board of directors expenses	12,222	18,325
Salaries and other benefits	263,861	216,387
Total compensation	**408,077**	330,339

21 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and bank balances, receivables and available-for-sale investments.

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

a) Risk management:

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to limit its credit risk with respect to customers by means of the following policies:

- Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures laid down by the Company.
- Credit review procedures are designed to identify at an early stage exposure, which require more detailed monitoring and review.
- Cash is placed with banks with good credit ratings.

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

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

	2017	2016
Bank balances	3,706,444	3,772,219
Trade and other receivables	2,742,789	2,608,730
	6,449,233	6,380,949

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

	2017	2016
Government	2,304,180	2,196,951
Non-government	438,609	411,779
	2,742,789	2,608,730

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

The ageing of receivables at the reporting date was:

	2017		2016	
	Gross	**Impairment**	Gross	Impairment
Neither past due nor impaired	1,027,285	-	1,013,293	-
Past due not impaired:				
Past due 1-30 days	721,730	-	720,382	-
Past due 31-90 days	690,649	-	700,622	-
Past due 91-120 days	9,426	-	131,428	-
Over 120 days	293,699	-	43,005	-
Past due and impaired:				
Over 120 days	769	769	769	769
	2,743,558	**769**	2,609,499	769

Liquidity risk, also referred to as funding risk, is the risk the Company will encounter difficulty in raising funds to meet obligations associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a daily basis and the management ensures that sufficient funds are available to meet any future commitments. In the normal course of business, the Company does not resort to borrowings but has the ability to raise funds from banks at short notice.

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

The following are the contractual maturities of financial liabilities:

31 December 2017	**Carrying value**	**0 up to 3 months**	**3 up to 6 months**	**6 months up to 1 year**	**1 up to 5 years**	**over 5 years**
Trade and other payables	369,280	369,280	-	-	-	-
Import finance loans	3,038,622	2,556,268	482,354	-	-	-
Dividend payable	253,004	253,004	-	-	-	
	3,660,906	**3,178,552**	**482,354**	**-**	**-**	**-**

31 December 2016	Carrying value	0 up to 3 months	3 up to 6 months	6 months up to 1 year	1 up to 5 years	over 5 years
Trade and other payables	2,230,413	2,225,865	4,548	-	-	-
Import finance loans	1,679,407	1,679,407	-	-	-	-
Dividend payable	237,461	237,461	-	-	-	-
	4,147,281	4,142,733	4,548	-	-	-

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

The Company is exposed to market risk with respect to its available-for-sale investments.

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

b) Classification and fair values of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown at the reporting date, are as follows:

2017	**Loans and receivables**	**Available-for-sale**	**Others at amortised cost**	**Total carrying amount**	**Fair value**
Cash and bank balances	3,707,213	-	-	3,707,213	3,707,213
Trade and other receivables	2,742,789	-	-	2,742,789	2,742,789
Available-for-sale investments	-	6,731,064	-	6,731,064	6,731,064
	6,450,002	**6,731,064**	**-**	**13,181,066**	**13,181,066**
Trade and other payables	-	-	369,280	369,280	369,280
Import finance loans	-	-	3,038,622	3,038,622	3,038,622
Dividends payable			253,004	253,004	253,004
	-	**-**	**3,660,906**	**3,660,906**	**3,660,906**

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

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

Fair value hierarchy

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

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

Other than certain available-for-sale investments carried at cost less impairment of nil (2016: BD 40,541), the estimated fair values of the Company's other financial instruments are not significantly different from their carrying value.

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

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

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

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

At 31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale investments:				
- Quoted equity securities	-	-	-	-
- Managed funds	6,731,064	-	-	6,731,064
	6,731,064	-	-	**6,731,064**

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

There were no transfers between the levels during the year. The Company has not disclosed the fair value for other financial instruments because their carrying amounts are a reasonable approximation of fair values.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as total shareholders' equity and the level of dividends to shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

22 PROPOSED APPROPRIATIONS AND DIVIDENDS

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

	2017	2016
Cash dividends 20 fils per share (2016: 20 fils per share)	496,511	496,511
Charity contribution	20,000	20,000
Transfer to retained earnings	4,487,262	286,556

The board also recommends paying BD 60,000 (2016: BD 34,077) as board remuneration.

23 COMPARATIVES

Certain prior year amounts have been regrouped to conform to the presentation in the current year. Such regroupings did not affect previously reported profit and total comprehensive income for the year or total equity.