Bahrain Flour Mills Company B.S.C.

Financial statements

31 December 2020

Bahrain Flour Mills Company B.S.C.

FINANCIAL STATEMENTS
For the year ended 31 December 2020

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Bahrain Flour Mills Company B.S.C.
General information

Commercial registration	1170 (Bahrain Joint Stock Company)
Board of directors	Mr. Marwan Khaled Tabbara (*Chairman)* Mr. Salah Mohamed Al Kulaib *(Vice chairman)* Mr. Ayman A. Hameed Zainal Mr. Eyad Redha Faraj Mr.Jasim Salman Abdulla Alshaikh Mr. Khalid Abdulaziz Abdulla Aljassim Dr. Marwa Khalid Al Sabbagh Ms. Raghdan Saleh Qasim Abdulrasool
Audit, compliance, governance, and risk committee	Mr. Khalid Abdulaziz Abdulla Aljassim *(Chairman)* Mr. Eyad Redha Faraj *(Vice chairman)* Mr. Ayman A. Hameed Zainal Ms. Raghdan Saleh Qasim Abdulrasool
Nomination and remuneration committee	Mr. Marwan Khaled Tabbara (*Chairman)* Dr. Marwa Khalid Al Sabbagh *(Vice chairman)* Mr.Jasim Salman Abdulla Alshaikh Mr. Khalid Abdulaziz Abdulla Aljassim
Purchasing and projects committee	Mr. Salah Mohamed Al Kulaib *(Chairman)* Dr. Marwa Khalid Al Sabbagh Mr. Eyad Redha Faraj Mr.Jasim Salman Abdulla Alshaikh
Chief executive officer	Wayne Henry Craig
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	Bank of Bahrain and Kuwait BSC Ahli United Bank BSC National Bank of Bahrain BSC Arab Bank National Bank of Kuwait
Auditors	KPMG Fakhro
Shares registrar	Bahrain Clear B.S.C (closed)

Bahrain Flour Mills Company B.S.C (Al-Matahin)

Board of Directors Report for the year ending 31 December 2020

Dear Shareholders,

On behalf of the Board of Directors of Bahrain Flour Mills Company B.S.C. (Al-Matahin), I am pleased to present to you the annual report for the fiscal year ending 31 December 2020.

Company Performance

Last year was marked by an international health crisis that impacted the entire world at an economic, social, and political level. Al-Matahin acknowledged the seriousness of the pandemic early on and from the outset was quick to react and take proactive measures to help stem the impact of Covid-19 across its many stakeholders. The company quickly adopted a series of precautionary and preventive health and safety measures aimed at reducing the spread of Coronavirus and preserving the safety of its employees, ensuring the continuity of work at its manufacturing facilities, and meeting the daily needs of the local market. Collectively, these measures were successful in protecting the company and its stakeholders against undue risk and reinforced Al-Matahin's role as a trusted and dependable supplier.

In addition to its routine daily production, the company also played a key role in implementing the government's stockpile directives with respect to importing and maintaining a 6-month strategic wheat stock for the benefit of the Kingdom of Bahrain and its residents. This strategic inventory was held by Al-Matahin on behalf of the government to mitigate against potential global supply chain interruptions and other obstacles related to sourcing and transporting wheat to the Kingdom of Bahrain from international grain markets during this volatile period.

Although demand for flour in the local market had softened during the year because of Covid-19 related closures and precautionary measures, Al-Matahin maintained good cost control on its operational expenses and managed to achieve an operating profit of BD 305,240 for the year.

Overall, Al-Matahin achieved a net profit for the year amounting to BD 1,086,159. In line with the results achieved, the Board of Directors has made the following recommendations to the shareholders for the year ending 31 December 2020:

- Distribute cash dividends to shareholders at the rate of 15 fils per share (or 15% of the paid-up capital) totaling BD 372,384.

- Allocate an amount of BD 60,000 as a remuneration for the members of the Board of Directors (already provided for in the net profit figure stated above).

- Allocate an amount of BD 20,000 for charitable works.

- Transfer an amount of BD 693,775 to the Retained Earnings Account.

The fees paid to Board Members for attending Board and committee meetings during the year ending 31 December 2020 amounted to BD 92,800, and is already provided for in the net profit figure stated above).

Salaries and benefits received by the senior management of the company during the year ending 31 December 2020 amounted to BD 175,872.

Company Directions and Future Plans:

During the last 50-years of its history, Al-Matahin has faced and successfully overcome many challenges. Today, the company is regarded as a trusted supplier in the local marketplace and its commercial relationships have expanded to include global multi-national corporations such as Mondelez, where Al-Matahin flour is being successfully used in the production and global export of one of the world's most famous biscuits (Oreo).

The Board of Directors and the Executive Management of Al-Matahin assure you of their determination to develop and expand the company's activities while adhering to the highest standards in governance, the implementation of control policies and internal systems, and the application of quality across the company's health and safety systems. The collective aim of which is to ensure the preservation of the company's leading market position and fulfil its commitment to maintaining ample flour supply for our beloved Kingdom. The company also remains committed to implementing its plans to modernize its manufacturing facility despite delays and postponements arising from the Coronavirus pandemic. By remaining steadfast in this mission, Al-Matahin aims to maintain the high quality of its products, expand its product portfolio, and retain its leading position in the Bahrain marketplace.

Social Responsibility:

Our priorities focused on supporting the community that we are a part of. These priorities included the annual contribution of the company in cooperation with the Royal Charitable Organization to distribute 8,000 Ramadan baskets to needy families during the holy month of Ramadan. We also participated in "Fina Khair" campaign in order to support the national efforts in our beloved kingdom. In addition, we provided 4,000 bags of flour to support expatriate workers affected by the pandemic through one of their charities, which in turn distributed it to the largest possible number of those affected.

Thanks, and Gratitude.

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

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

We also assure you that the company's success is not possible without the hard work and dedication of its management and staff, and extend our many thanks, appreciation, and gratitude to the management of the company and all its employees for their dedication and hard work which has led to these achievements and assured the best possible results for 2020. We are fortunate to have such a committed and outstanding team and we are confident that this organization will continue to achieve success in the future.

With the Grace of God,

Marwan Khaled Tabbara
Chairman
February 2021

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CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

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

Report on the audit of the financial statements

Opinion
We have audited the accompanying financial statements of Bahrain Flour Mills Company B.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, 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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness and accuracy of government subsidy
(refer to the government subsidy policy in note 3 (b) and note 16 on disclosure of government subsidy in 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 58% of total income from operations, and importance of the subsidy to the business 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 the Company are in line with the memorandum of understanding agreed with Ministry of Industry, Commerce and Tourism; • agreeing the amount of subsidy received with the amount 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.

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

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 of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 the board of directors.

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

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

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

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

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

Report on other regulatory requirements

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

2) As required by the Ministry of Industry, Commerce, and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance.

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

KPMG

KPMG Fakhro
Director Registration No. 217
28 February 2021

Bahrain Flour Mills Company B.S.C.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

Bahraini Dinars

	Note	**2020**	2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,091,403	3,873,578
Total non-current assets		**6,091,403**	3,873,578
Current assets			
Investment at fair value through profit or loss	6	10,456,304	10,079,952
Inventory	7	8,656,020	6,673,259
Receivables and other assets	8	2,313,450	3,315,394
Cash and bank balances	9	1,854,034	2,036,677
Fixed deposit		752,325	-
Total current assets		**24,032,133**	22,105,282
Total assets		**30,123,536**	25,978,860
EQUITY AND LIABILITIES			
Equity			
Share capital	10	2,481,877	2,481,877
Share premium		1,350,000	1,350,000
Statutory reserve		1,241,625	1,241,625
Other reserves		3,463,628	3,463,628
Retained earnings		12,347,307	11,529,404
Total equity		**20,884,437**	20,066,534
Non-current liabilities			
Lease liabilities	21	351,343	121,083
Employee benefits	11	83,923	64,870
Total non-current liabilities		**435,266**	185,953
Current liabilities			
Lease Liabilities	21	67,380	67,380
Trade payables and other liabilities	12	3,351,469	3,256,403
Import finance loans	13	4,893,829	2,402,590
Bank overdraft	9	491,155	-
Total current liabilities		**8,803,833**	5,726,373
Total liabilities		**9,239,099**	5,912,326
Total equity and liabilities		**30,123,536**	25,978,860

Marwan Khaled Tabbara	Salah Mohamed Al Kulaib	Wayne Henry Craig
Chairman	*Vice Chairman*	*Chief Executive Officer*

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

Bahrain Flour Mills Company B.S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020 Bahraini Dinars

	Note	**2020**	2019
Sales	14	7,054,632	7,075,011
Cost of sales	15	(15,178,296)	(16,039,046)
Gross loss before government subsidy		**(8,123,664)**	(8,964,035)
Government subsidy	16	9,810,358	10,605,978
Gross profit		**1,686,694**	1,641,943
Other operating expenses	17	(1,381,454)	(1,228,501)
Impairment loss on receivables	8	-	(94,475)
Operating profit		**305,240**	318,967
Other income	18	467,714	83,097
Finance cost	19	(63,147)	(86,594)
Change in fair value of investment at fair value through profit or loss	6	376,352	1,535,265
Profit for the year		**1,086,159**	1,850,735
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**1,086,159**	1,850,735
Basic and diluted earnings per share	20	**44 fils**	75 fils

Marwan Khaled Tabbara
Chairman

Salah Mohamed Al Kulaib
Vice Chairman

Wayne Henry Craig
Chief Executive Officer

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

Bahrain Flour Mills Company B.S.C.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020 Bahraini Dinars

2020	**Share capital**	**Share premium**	**Reserves**		**Retained earnings**	**Total**
			Statutory reserve	**Other reserves**		
At 1 January 2020	2,481,877	1,350,000	1,241,625	3,463,628	11,529,404	20,066,534
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,086,159**	**1,086,159**
Dividends approved and paid for 2019	-	-	-	-	(248,256)	(248,256)
Charity contributions approved for 2019	-	-	-	-	(20,000)	(20,000)
At 31 December 2020	**2,481,877**	**1,350,000**	**1,241,625**	**3,463,628**	**12,347,307**	**20,884,437**

2019	Share capital	Share premium	Reserves		Retained earnings	Total
			Statutory reserve	Other reserves		
At 1 January 2019	2,481,877	1,350,000	1,241,625	3,463,628	10,448,669	18,985,799
Total comprehensive income for the year	-	-	-	-	1,850,735	1,850,735
Dividends approved and paid for 2018	-	-	-	-	(750,000)	(750,000)
Charity contributions approved for 2018	-	-	-	-	(20,000)	(20,000)
At 31 December 2019	2,481,877	1,350,000	1,241,625	3,463,628	11,529,404	20,066,534

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

Bahraini Dinars

	Note	**2020**	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		**1,086,159**	1,850,735
Adjustments for:			
Depreciation / amortisation	5	604,453	638,073
Net change in investments at fair value through profit or loss	6	(376,352)	(1,535,265)
Finance cost		63,147	86,594
Interest income		(34,978)	(13,994)
Government subsidy – Expense reimbursement		(72,576)	-
Change in working capital:			
Inventories		(1,982,761)	(448,236)
Receivables and other assets		1,041,154	(237,122)
Trade payables and other liabilities		272,121	2,668,587
Provision for employees' indemnities		19,053	15,698
Net cash generated from operating activities		**619,420**	3,025,070
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed deposit placed during the year		(2,000,000)	-
Fixed deposit matured during the year		1,247,675	-
Interest income received		32,057	13,994
Purchase of property, plant and equipment		(2,529,767)	(540,956)
Net cash used in investing activities		**(3,250,035)**	(526,962)
CASH FLOWS FROM FINANCING ACTIVITIES			
Import finance loans availed		17,352,368	11,358,960
Repayment of import finance loans		(14,861,129)	(13,965,001)
Dividends paid		(445,311)	(766,956)
Finance cost paid		(27,731)	(77,998)
Lease liability paid		(61,380)	(67,380)
Net cash generated from / (used in) financing activities		**1,956,817**	(3,518,375)
Net decrease in cash and cash equivalents during the year		**(673,798)**	(1,020,267)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,036,677	3,056,944
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**1,362,879**	2,036,677

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

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 under commercial registration number 1170 obtained on 16 July 1970 and listed in Bahrain Bourse. The Company was incorporated by an Amiri Charter dated 9 May 1970 and commenced commercial operations on 1 May 1972.

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

The Company's majority shareholder is Bahrain Mumtalakat Holding Company B.S.C. (c) ("Mumtalakat"), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 65.73% of the Company's share capital.

The financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on 28 February 2021.

2 BASIS OF PREPARATION

a) Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and in conformity with the Commercial Companies Law, of 2001 (as amended).

b) Basis of measurement

The financial statements have been drawn up from the accounting records of the Company under the historical cost convention, except for investment securities which are stated at fair value.

c) Impact of Covid-19

On 11 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Company. The Company is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilize economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Company has received certain benefits from these Packages mainly in the form of partial waiver of Electricity and Water Authority utility bills, reimbursement of salaries of national employees from the Unemployment Fund and exemption of government-owned industrial land rental fees for three months from April 2020 to June 2020. The financial impact of these Packages have been included under other income (note 18)."

The Company has also made a one-off donation of BD 20 thousand to National Taskforce for combating COVID-19.

The management and the Board of Directors (BOD) have been closely monitoring the potential impact of the COVID-19 developments on the Company's operations and financial position; including possible loss of revenue, impact on asset valuations, review of onerous contracts and outsourcing arrangements etc. The Company has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their overall assessment, the BOD is confident of the view that the Company will continue as a going concern entity for the next 12 months from the date of the financial statements.

2 BASIS OF PREPARATION (continued)

d) 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 disclosed in note 4.

e) New standards, amendments and interpretations effective from 1 January 2020

The following standards, amendments and interpretations, which became effective as of 1 January 2020, are relevant to the Company:

(i) Amendments to References to Conceptual Framework in IFRS Standards

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

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

e) *New standards, amendments and interpretations effective from 1 January 2020*

(ii) Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of ‘primary users of general- purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

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

2 BASIS OF PREPARATION (continued)

(iii) COVID-19-Related Rent Concessions (Amendment to IFRS 16):

In response to the COVID-19 coronavirus pandemic, the Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The rent concessions could be in various forms and may include one-off rent reductions, rent waivers or deferrals of lease payments. If the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss.

The practical expedient will only apply if:
(1) the revised consideration is substantially the same or less than the original consideration;
(2) the reduction in lease payments relates to payments due on or before 30 June 2021; and
(3) no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:
(i) that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
(ii) the amount recognized in profit or loss for the reporting period arising from application of the practical expedient.
No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

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

f) 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 2020 and earlier application is permitted; however; the Company has not early applied the following new or amended standards in preparing these financial statements.

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- COVID-19 - Related Rent Concessions (Amendments to IFRS 16)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

b) Government grant and subsidy

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

ii. The Company recognises an unconditional government grant that compensate the Company for expense incurred in the statement of profit or loss and other comprehensive income as other income when the grants become receivable.

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

d) Foreign currency

(i) Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’). The financial statements have been presented in Bahraini Dinars (BD). Unless otherwise stated, all financial information presented has been rounded off to the nearest dinar.

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

e) Leases
At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Leases (continued)

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

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments

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

(i) Classification

Financial assets

Financial assets are classified into one of the following three categories:-
• Financial assets at amortised cost;
• Financial assets at fair value through other comprehensive income (FVTOCI); and
• Financial assets at fair value through the profit or loss (FVTPL)

Financial liabilities

Financial liabilities are classified into one of the following two categories:
• Financial liabilities at amortised cost;
• Financial liabilities at fair value through the profit or loss (FVTPL)

(ii) Initial recognition and measurement

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments (continued)

Financial instruments

(iii) Subsequent measurement

Financial assets

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

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

1) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

2) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

b) Financial assets at fair value through other comprehensive income (FVTOCI)
At initial recognition, the Company can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

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

1) it has been acquired principally for the purpose of selling in the near term;

2) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or

3) it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments (continued)

c) Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL and changes therein, including any interest or dividend income, are recognized in the profit or loss.

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

Financial liabilities classified as financial liabilities at FVTPL includes derivatives.

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments (continued)

individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, plant and equipment (continued)

(ii) Depreciation

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

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

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

Capital spares

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

i) Impairment of non-financial assets:

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

j) Value added tax (VAT)

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

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

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

k) Treasury shares

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

m) Dividend distribution
Dividends are recognised as a liability in the period in which they are approved by the shareholders.

n) Statutory reserve
In accordance with the 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.

o) Employee benefits

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Provisions

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

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

In the process of applying the Company's accounting policies, the Board of Directors has made the following judgments after taking into consideration the impacts of COVID-19 outbreak as explained in note 2b, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared and have considered the impacts of COVID-19 outbreak as explained in note 2b. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Classification of investments

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

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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of inventories (continued)

As at 31 December 2020, gross inventories of spares was BD 967,559 (2019: BD 949,342) with provisions for slow moving spares of BD 509,932 (2019: BD 456,668). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit and loss and other comprehensive income.

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

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

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

5 PROPERTY, PLANT AND EQUIPMENT

2020	**Buildings**	**Plant, Machinery and capital spares**	**Motor vehicles**	**Furniture and office equipment**	**Right-of-use assets**	**Capital Work-in-progress (refer note below)**	**Total**
Cost							
At beginning of year	8,778,485	7,896,484	160,458	827,792	210,959	413,328	18,287,506
Additions	-	39,956	-	8,133	292,512	2,483,894	2,824,495
Spare parts usage	-	(6,570)	-	-	-	-	(6,570)
At 31 December	**8,778,485**	**7,929,870**	**160,458**	**835,925**	**503,471**	**2,897,222**	**21,105,431**
Depreciation							
At beginning of year	6,485,900	6,977,780	118,280	777,285	54,683	-	14,413,928
Charge for the year:							
- Cost of sales	236,164	256,092	8,467	18,094	-	-	518,817
- Others	9,156	2,978	3,637	16,227	53,638	-	85,636
Spare parts usage	-	(4,353)	-	-	-	-	(4,353)
At 31 December	**6,731,220**	**7,232,497**	**130,384**	**811,606**	**108,321**	**-**	**15,014,028**
Net carrying value							
At 31 December	**2,047,265**	**697,373**	**30,074**	**24,319**	**395,150**	**2,897,222**	**6,091,403**

2019	Buildings	Plant, Machinery and capital spares	Motor vehicles	Furniture and office equipment	Right-of-use assets	Capital Work-in-progress	Total
Cost							
At beginning of year	8,758,252	7,807,983	160,458	819,222	-	-	17,545,915
Additions	20,233	98,825	-	8,570	210,959	413,328	751,915
Spare parts usage	-	(10,324)	-	-	-	-	(10,324)
At 31 December	8,778,485	7,896,484	160,458	827,792	210,959	413,328	18,287,506
Depreciation							
At beginning of year	6,240,315	6,702,411	106,209	731,866	-	-	13,780,801
Charge for the year:							
- Cost of sales	236,751	277,492	8,444	21,508	29,255		573,450
- Others	8,834	2,823	3,627	23,911	25,428	-	64,623
Spare parts usage	-	(4,946)	-	-	-	-	(4,946)
At 31 December	6,485,900	6,977,780	118,280	777,285	54,683	-	14,413,928
Net carrying value							
at 31 December	2,292,585	918,704	42,178	50,507	156,276	413,328	3,873,578

Note:
The land at Mina Salman on which the mill was built is leased by the Company from the Government of Kingdom of Bahrain. The lease contract expired on 30 June 2020 and the management of the Company is negotiating the renewal of the contact with Ministry of Finance and National Economy. The Management is confident of obtaining the renewal of lease period for a minimum of 15 years.

During 2019, the Company has entered into an agreement with supplier to supply and install mechanical and electrical equipment including the engineering work to upgrade cleaning house, new mill and to upgrade the flour blending and mixing and Flour Sterilator in the lease hold property for a total consideration of BD 2,928,475 of which BD 2,897,222 has been capitalized as capital work-in-progress as at 31 December 2020.

6 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
At 1 January	10,079,952	8,544,687
Net change in fair value of investment securities	376,352	1,535,265
	10,456,304	10,079,952

7 INVENTORY

	2020	2019
Wheat in silos	6,865,889	2,837,622
Goods in transit	7,406	2,682,134
Finished goods	1,224,163	534,021
Packing materials	100,935	126,808
Spare parts and consumables	967,559	949,342
	9,165,952	7,129,927
Less: provision for obsolete and slow-moving inventories	(509,932)	(456,668)
	8,656,020	6,673,259

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

	2020	2019
At 1 January	456,668	334,658
Charges for the year	53,264	122,010
At 31 December	**509,932**	456,668

8 RECEIVABLES AND OTHER ASSETS

	2020	2019
Trade receivables	243,871	190,389
Subsidy receivable	1,846,074	3,016,138
VAT receivables (net)	117,577	-
Advances to suppliers	39,904	159,178
Due from government (note 25)	18,394	-
Others	47,630	44,536
	2,313,450	3,410,241
Less: Provision for impairment	-	(94,847)
	2,313,450	3,315,394

The movements on provision for impairment is as follows:	2020	2019
At 1 January	94,847	372
Charge for the year	-	94,475
Written off	(94,847)	-
	-	94,847

9 CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand	1,408	729
Bank balances	1,852,626	2,035,948
Cash and bank balance	**1,854,034**	2,036,677
Bank overdraft	(491,155)	-
Cash and cash equivalents	**1,362,879**	2,036,677

10 SHARE CAPITAL

	2020	2019
Authorised: 100,000,000 shares		
Issued and fully paid: 24,832,500 shares of 100 fils each	2,483,250	2,483,250
6,930 treasury shares (2019: 6,930 shares)	(1,373)	(1,373)
Net shares in public issue	**2,481,877**	2,481,877

Performance per share	**2020**	2019
Earnings per 100 fils share	44 fils	75 fils
Net asset value per 100 fils share	841 fils	811 fils
Stock Exchange price per 100 fils share at 31 December	327 fils	320 fils
Stock Exchange price to earnings ratio	8:1	4:1
Total market capitalisation at 31 December (BD)	8,120,228	7,946,400

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 2020 and 31 December 2019:

	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	1,664,430	6.70

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

10 SHARE CAPITAL (continued)

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

Categories*	2020 Number of Shares	2020 Number of shareholders	2020 % of total outstanding shares	2019 Number of Shares	2019 Number of shareholders	2019 % of total outstanding shares
Less than 1%	4,749,776	1,699	19.13%	4,886,430	1,699	19.68%
1% up to less than 5%	247,488	1	1.00%	247,488	1	1.00%
5% up to less than 10%	3,512,430	2	14.14%	3,375,776	2	13.59%
10% up to less than 20%	-	-	-	-	-	-
20% up to less than 50%	-	-	-	-	-	-
50% and above	16,322,806	1	65.73%	16,322,806	1	65.73%
	24,832,500	**1,703**	**100%**	**24,832,500**	**1,703**	**100%**

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

11 EMPLOYEES BENEFITS

The Company's contributions in respect of non-Bahraini employee as per Bahrain Labor Law, 2012 amounted to BD 83,923 (2019: BD 64,870).

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

	2020	2019
At 1 January	64,870	49,172
Charge during the year	19,053	16,685
Paid during the year	-	(987)
At 31 December	**83,923**	64,870

12 TRADE PAYABLES AND OTHER LIABILITIES

	2020	2019
Trade payables	103,646	2,717,341
Due to government (note 25)	2,807,136	-
Dividends payable *	55,146	252,201
Accrued expenses and other payables	385,541	277,007
VAT payable, net	-	9,854
	3,351,469	3,256,403

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

13 IMPORT FINANCE LOANS (Unsecured)

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

	2020	2019
At 1 January	2,402,590	5,008,631
Loans availed during the year	17,352,368	11,358,960
Loans repaid during the year	(14,861,129)	(13,965,001)
At 31 December	**4,893,829**	2,402,590

Import finance loans are unsecured and are re-payable within six months. Interest rates imposed on these loans range from 3.5% to 5%. Interest on these loans are recovered back through government subsidy.

14 SALES	**2020**	2019
Flour	4,565,181	4,710,124
Bran	1,522,848	1,470,758
Special products	966,603	894,129
	7,054,632	7,075,011

15 COST OF SALES	**2020**	2019
Raw materials	13,062,222	13,860,537
Staff cost	778,747	731,094
Depreciation (note 5)	518,817	573,450
Packing materials	250,025	245,474
Maintenance, repairs and utilities	308,485	331,384
Others	260,000	297,107
	15,178,296	16,039,046

16 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 (2019: 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:

	2020	2019
Actual cost of wheat purchased and used	12,936,013	13,751,282
Plus: BD 31 per ton of wheat products sold locally	3,792,473	3,826,100
Expense reimbursement	72,576	-
	16,801,062	17,577,382
Less: Gross sales subject to subsidy	(6,990,704)	(6,971,404)
	9,810,358	10,605,978

Quantity sold during the year was 123,134 tons (through Subsidy 122,338 and Commercial is 796) (2019: 124,325 tons (through Subsidy 123,423 and Commercial is 902))

17 OTHER OPERATING EXPENSES

	2020	2019
Staff cost	705,255	657,987
General and administrative expenses	355,923	204,241
Depreciation (note 5)	85,636	64,623
Board of directors remunerations	60,000	60,000
Professional fees	77,708	116,514
Other	96,932	125,136
	1,381,454	1,228,501

18 OTHER INCOME

	2020	2019
Government grant (note 3b)	318,510	-
Wheat handling charges, net (note 25)	63,344	-
Delivery income	14,439	11,731
Income from shipments claims	31,913	34,449
Interest on bank deposit	34,978	13,994
Others	4,530	22,923
	467,714	83,097

19 FINANCE COST

	2020	2019
Interest on lease liabilities	35,416	8,596
Interest on bank overdraft	12,271	77,998
Interest on bank loans	15,460	
	63,147	86,594

20 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of equity shares outstanding during the year ended 31 December 2020 as follows:

	2020	2019
Profit for the year	1,086,159	1,850,735
Weighted average number of equity shares in issue	24,832,500	24,832,500
Basic and diluted earnings per share	44 fils	75 fils

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

21 LEASES AS LEASEE

The Company leases industrial lands. The leases typically run for a period ranging from 2 years to 15 years, with an option to renew the lease after that date except. Lease payments are subject to negotiation every 5 years for to reflect market rentals. No leases provide for additional rent payments that are based on changes in local price index.

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

i. Right-of-use assets

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

	2020	2019
Balance at 1 January	156,276	-
Addition to right-of-use assets	292,512	210,959
Depreciation charge for the year	(53,638)	(54,683)
Balance at 31 December	**395,150**	156,276

ii. Lease liabilities under IFRS 16	**2020**	2019
Non-current portion	351,343	121,083
Current portion	67,380	67,380
Balance at 31 December	**418,723**	188,463

Effective interest on lease liabilities is 5% (2019: 5%).

iii. Amount recognised in profit or loss	**2020**	2019
Interest on lease liabilities	35,416	8,596
Depreciation	53,638	54,683
Expense related to short-term lease	58,886	-
Balance at 31 December	**147,940**	63,279

iv. Amounts recognized in statement of cash flows

	2020	2019
Total cash outflow for lease liabilities	61,380	67,380

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

22 SEGMENTAL ANALYSIS

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment) or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other 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.

23 RELATED PARTY TRANSACTIONS

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

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

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

a) Transactions and balances with related parties

		2020	2019
i) Statement of profit or loss and other comprehensive income	***Relationship***		
Finance cost on import finance loans	Affiliate of parent	43,902	37,359
Other operating expenses	Affiliate of parent	8,096	6,248
		51,998	43,607

		2020	2019
ii) Import Finance Loan	Affiliate of parent		
Loans Availed during the year		5,911,834	2,895,889
Repayment of import finance loans		(3,479,501)	(5,510,057)

		2020	2019
iii) Statement of financial position	***Relationship***		
Import finance loans	Affiliate of parent	2,920,536	488,203
Accrued interest on import finance loans	Affiliate of parent	30,848	1,873
		2,951,384	490,076

b) Transactions with key management personnel

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

23 RELATED PARTY TRANSACTIONS (continued)

The key management personnel compensation is as follows:

	2020	2019
Board of Directors' remunerations	60,000	60,000
Directors' sitting fees	92,800	83,050
Other board of directors' expenses	15,405	16,612
Salaries and other benefits	175,872	130,599
Total compensation	**344,077**	290,261

24 FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUES

Financial instruments consist of financial assets and financial liabilities.

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

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

a) Risk management:

The Company has exposure to the following risks from the use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

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

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

24 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:

	2020	2019
Bank balances	1,852,626	2,035,948
Fixed deposit	752,325	-
Receivables and other assets	2,225,916	3,111,680
	4,830,867	5,147,628

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

	2020	2019
Government	1,864,468	2,921,663
Non-government	361,448	190,017
	2,225,916	3,111,680

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

The ageing of receivables at the reporting date was:

	2020		2019	
	Exposure	**Loss allowance**	Exposure	Loss allowance
Neither past due nor impaired	1,212,530	-	1,013,800	-
Past due not impaired:				
Past due 1-30 days	863,957	-	830,877	-
Past due 31-90 days	31,704	-	890,595	-
Past due 91-365 days	62,325	-	57,008	-
Over 365days	55,400	-	35,392	-
Past due and impaired:				
Over 120 days	-	-	378,855	94,847
	2,225,916	**-**	3,206,527	94,847

Credit risk Concentration
The Company sells its products to a large number of customers. Its five largest customers, which account for 61% of the outstanding trade receivables at 31 December 2020 (2019: 76%).

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

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

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

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

The following are the contractual maturities of financial liabilities:

2020	**Carrying value**	**Gross contractual cash flow**	**0 up to 3 months**	**3 up to 6 months**	**6 months up to 1 year**	**1 up to 5 years**	**over 5 years**
Trade payables and other liabilities	3,296,323	3,296,323	3,296,323	-	-	-	-
Lease liability	418,723	539,781	40,164	9,072	18,144	218,964	253,437
Import finance loans	4,893,829	4,970,152	3,494,653	1,475,499	-	-	-
Bank overdraft	491,155	491,155	491,155	-	-	-	-
Dividend payable	55,146	55,146	55,146	-	-	-	-
	9,155,176	**9,352,557**	**7,377,441**	**1,484,571**	**18,144**	**218,964**	**253,437**

2019	Carrying value	Gross contractual cash flow	0 up to 3 months	3 up to 6 months	6 months up to 1 year	1 up to 5 years	over 5 years
Trade payables and other liabilities	2,994,348	2,994,348	2,994,348	-	-	-	-
Lease liability	188,463	253,716	67,380	9,072	18,144	152,730	6,390
Import finance loans	2,402,590	2,402,590	1,925,628	476,962	-	-	-
Dividend payable	252,201	252,201	252,201	-	-	-	-
	5,837,602	5,902,855	5,239,557	486,034	18,144	152,730	6,390

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 investments.

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

Operational risk

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

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Board Committees within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:
- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements; and
- documentation of controls and procedures.

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

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

b) Classification and fair values of financial instruments

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

2020	**FVTPL**	**Amortised cost**	**Total carrying amount**
Cash and cash balances	-	1,854,034	1,854,034
Fixed deposit	-	752,325	752,325
Receivable and other assets	-	2,225,916	2,225,916
Investment securities	10,456,304	-	10,456,304
	10,456,304	**4,832,275**	**15,288,579**
Trade payables and other liabilities	-	3,296,323	3,296,323
Lease liability	-	418,723	418,723
Import finance loans	-	4,893,829	4,893,829
Dividends payable	-	55,146	55,146
Bank overdraft	-	491,155	491,155
	-	**9,155,176**	**9,155,176**

2019	FVTPL	Amortised cost	Total carrying amount
Cash and cash balances	-	2,036,677	2,036,677
Receivable and other assets	-	3,154,227	3,154,227
Investment securities	10,079,952	-	10,079,952
	10,079,952	5,190,904	15,270,856
Trade payables and other liabilities	-	2,994,348	2,994,348
Lease liability	-	188,463	188,463
Import finance loans	-	2,402,590	2,402,590
Dividends payable	-	252,201	252,201
	-	5,837,602	5,837,602

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

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

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

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

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

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities at fair value through profit or loss:				
Managed funds	10,456,304	-	-	10,456,304
	10,456,304	**-**	**-**	**10,456,304**

2019	Level 1	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:				
Managed funds	10,079,952	-	-	10,079,952
	10,079,952	-	-	10,079,952

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 Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Company is not subject to externally imposed capital requirements.

25 SUPPLY OF STRATEGIC WHEAT

The Company signed a contract with Government of the Kingdom of Bahrain on 30 April 2020 to supply and store additional 26,838 tons of grain for total cost of BD 3,227,991 as a strategic stock (comprising of BD 2,807,145 for cost of wheat and BD 420,846 for wheat handling charges). The duration of the contract is for six months and subject to renewal. The Contract lapsed on 31 October 2020.

25 SUPPLY OF STRATEGIC WHEAT (continued)

As per the contract the value of the stock to be transferred to the Company as advance subsidy against wheat to be used in future production. In addition, the Government will pay rental, transportation and Insurance cost for three months post contract termination.

As result of this transaction the company recognised additional inventory of BD 2,807,145 and corresponding liability as due to Government. The remaining balance of BD 63,344 net of expense incurred and to be incurred, recognized as handling charges income.

26 COMMITMENTS AND CONTINGENCIES

(i) Commitments

Pending capital commitment
Estimated capital expenditure contracted for at the reporting date amounted to BD 296,015 (2019: BD 1,998,552). The commitments are expected to be settled within 1 to 5 years from the reporting date.

Letters of credit
At 31 December 2020, the Company had outstanding letters of credit to counterparties of BD 235,616 (2019: BD Nil).

(ii) Contingencies

At 31 December 2020, the Company had contingent liabilities in respect of the bank guarantees amounting to BD 500 (2019: BD 500) from which is anticipated that no material liabilities will arise.

27 PROPOSED DIVIDENDS, REMUNERATION AND APPROPRIATIONS

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

	2020	2019
Cash dividends (15 fils per share, 2019: 10 fils per share)	372,384	248,256
Board of directors' remuneration	60,000	60,000
Charity contribution	20,000	20,000
Transfer to retained earnings	693,775	1,582,479

28 COMPARATIVES

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

SUPPLEMENTARY DISCLOSURE RELATED TO THE IMPACT OF COVID-19

Further to the CBB letter dated 14 July 2020 (ref. OG/259/2020), Bahrain Flour Mills Company B.S.C. provides the following information:

A. The overall impact on the financial statements
The overall impact on the financial statements of BFM as at 31 December 2020 has been assessed by Management and is described as per below:

B. The impact on Income Statement	
Revenues	There was no significant impact on food industry and demand was sustainable. During the Covid-19 pandemic, BFM gained some additional commercial business other than the subsidised business. In general, we have observed no material revenue impact in 2020. In addition to that BFM received Government support for BD 318,510 that was classified as other income. The support was for salaries BD 266,732 Rent of BD 7,773 and Utilities of BD 44,005.
Expenses	BFM incurred additional expenses of BD 134,832 up to 31 December 2020 in relation to COVID.
Investment Income	The company holds financial assets at fair value through profit or loss, the change in the fair value/reported profit for 2020 is BD 376,352 as compared to fair value gain of BD 1,535,265 last year mainly due to the market reaction in COVID pandemic.
Net income	As mentioned in this disclosure above.

C. The impact on Balance Sheet	
Assets	
Cash and cash equivalents	We have unused facilities available from Banks. Our liquidity position is strong, and we have not noticed any material reduction in our cash collection. Further, the company has liquid investment on balance sheet. We have strong cash flow from customers, and we anticipate this to continue and we anticipate the government subsidy to remain the same. There is no material impact on any other assets of the Company as at 31 December 2020. Investment at fair value through profit and loss has increased in value by 3.7% from BD 10,079,952 as of 31 December 2019 to BD10,456,304 as at 31 December 2020.

SUPPLEMENTARY DISCLOSURE RELATED TO THE IMPACT OF COVID-19 (continued)

	We have strong cash flow from customers, and we anticipate this to continue and we anticipate the government subsidy to remain the same. There is no material impact on any other assets of the Company as at 31 December 2020. Investment at fair value through profit and loss has increased in value by 3.7% from BD 10,079,952 as of 31 December 2019 to BD10,456,304 as at 31 December 2020.
Liabilities	
Import finance loans/strategic wheat stockpile payable	BFM currently carries debt for the normal course of business and the only transaction related COVID pandemic was a purchase of strategic wheat on behalf of the government of BD 2,807,135 that is reflected as a payable to government on BFM's statement of financial position. The last wheat shipment in December 2020 is financed by import finance loan of BD 2,920,536.
Net equity attributable to shareholders	The net equity has improved by BD 817,903 a net result of current comprehensive income less dividend paid, and charity contribution set aside and paid from 2019 income.
Other material impact on the Balance Sheet	No other impact

D. The impact on the company's ability to continue as going concern
The Company has performed an assessment of its going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, and the projections show that the company has ample resources to continue its operational existence and based on this assessment, BFM Board of Directors are of the view that the going concern position remains largely unaffected and unchanged as at 31 December 2020. Considering the above, this Financial Statements have been appropriately prepared on a going concern basis.