

**DELMON POULTRY COMPANY BSC**  
**FINANCIAL STATEMENTS**

**31 DECEMBER 2005**

# **Delmon Poultry Company BSC**

## **FINANCIAL STATEMENTS for the year ended 31 December 2005**

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**GENERAL INFORMATION**  
**2005 financial statements**

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Commercial registration	:	10700 (Bahrain joint stock company)
Board of directors	:	Mohamed Abdulla Al-Mannai ( <i>Chairman</i> ) Jaffar Habib Ahmed ( <i>Vice chairman</i> ) Yousuf Saleh Al-Saleh ( <i>Managing director</i> ) Abdul-Rahman Mohamed Jamsheer Abdul Nabi Nasser Salman Abdulhussain Khalil Dawani Abdulredha Mohamed Al-Daylami Ibrahim Abdali Al-Daissi Jaffar Mohamed Ali Al-Dhaif
General Manager	:	Yasser Husain Al-Mandeel
Offices and plants	:	Administration and chicken processing plant Hamala, PO Box 20535 Telephone 17608282 Fax 17601930 Email depco@batelco.com.bh
	:	Feedmill - Mina Salman Telephone 17727705
	:	Chick hatchery - Al-Buhair Telephone 17624832
Principal bankers	:	Ahli United Bank Bahrain Islamic Bank Bank of Bahrain and Kuwait National Bank of Bahrain
Auditors and registrars	:	KPMG

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS  
Delmon Poultry Company BSC  
Manama, Kingdom of Bahrain**

26 February 2006

We have audited the accompanying financial statements of Delmon Poultry Company BSC as at, and for the year ended, 31 December 2005 set out on pages 3 to 18.

**Respective responsibilities of directors and auditors**

These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Delmon Poultry Company BSC as at 31 December 2005, the results of its operations, the changes in its equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Other regulatory matters**

In addition, in our opinion, the company has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the information contained therein is consistent with the financial statements. We are not aware of any violations of the Bahrain Commercial Companies Law 2001, or the terms of the company's memorandum and articles of association, having occurred during the year that might have had a material effect on the business of the company or on its financial position as at 31 December 2005. Satisfactory explanations and information were provided by management in response to all our requests.

**BALANCE SHEET**  
**as at 31 December 2005**

Bahraini dinars

	Notes	2005	2004
<b>CURRENT ASSETS</b>			
Cash and bank		529,729	443,002
Short-term fixed deposits		2,310,441	3,182,107
Trade receivables	3	650,179	649,370
Accrued income and other receivables	4	156,577	163,405
Inventories	5	1,376,210	1,226,976
<b>Total current assets</b>		<b>5,023,136</b>	5,664,860
<b>NON-CURRENT ASSETS</b>			
Available for sale investments	6	4,919,852	4,497,750
Held to maturity investments	7	1,078,762	639,449
Investment in associated company	8	1,015,020	836,620
Property, plant and equipment	9	782,410	789,429
<b>TOTAL ASSETS</b>		<b>12,819,180</b>	12,428,108
<b>CURRENT LIABILITIES</b>			
Trade payables		209,497	247,662
Accrued expenses and other current liabilities	10	146,728	255,001
<b>Total current liabilities</b>		<b>356,225</b>	502,663
<b>NON-CURRENT LIABILITIES</b>			
Provision for labour law obligations		115,698	116,740
<b>TOTAL LIABILITIES</b>		<b>471,923</b>	619,403
<b>EQUITY</b>			
Share capital	11	2,927,346	2,927,346
Reserves		8,349,716	7,949,977
Retained earnings		1,070,195	931,382
<b>Total equity (page 5)</b>		<b>12,347,257</b>	11,808,705
<b>Total Liabilities and equity</b>		<b>12,819,180</b>	<b>12,428,108</b>

The financial statements were approved by the board of directors on 26 February 2006 and signed on its behalf by:

Mohamed Abdulla Al-Mannai  
*Chairman*

Yousuf Saleh Al-Saleh  
*Managing director*

**INCOME STATEMENT**  
**for the year ended 31 December 2005**

Bahraini dinars

	Notes	2005 Total	2004 Total
<b>SALES</b>	12	<b>7,878,753</b>	7,648,703
Discounts	12	(159,496)	(132,571)
Cost of sales	12,13	(7,385,334)	(7,265,962)
<b>GROSS PROFIT</b>		<b>333,923</b>	250,170
OTHER OPERATING EXPENSES	14	(367,266)	(400,755)
GOVERNMENT GRANT	15	250,315	241,613
<b>OPERATING PROFIT</b>		<b>216,972</b>	91,028
OTHER INCOME			
Investment income	16	270,504	194,046
Share of profit in associate		174,753	246,793
Other income		17,499	4,535
<b>NET PROFIT FOR THE YEAR</b>		<b>679,728</b>	<b>536,402</b>
Earning per share	17	<b>23 fils</b>	<b>18 fils</b>

Mohamed Abdulla Al-Mannai  
*Chairman*

Yousuf Saleh Al-Saleh  
*Managing director*

These financial statements consist of pages 3 to 18.

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2005**

Bahraini dinars

2005	Share capital	Treasury shares	Statutory reserve	General reserve	Development and raw material reserve	Investments fair value reserve	Retained earnings	Total
As at January	2,974,048	(46,702)	977,764	3,993,000	1,000,000	1,979,213	931,382	11,808,705
Dividend declared for 2004	-	-	-	-	-	-	(440,942)	(440,942)
Directors' remuneration paid for 2004	-	-	-	-	-	-	(32,000)	(32,000)
Transfer to income statement on sale of AFS investments	-	-	-	-	-	(11,517)	-	(11,517)
Change in fair value of Available-for-sale investments	-	-	-	-	-	343,283	-	343,283
Net profit for the year	-	-	-	-	-	-	679,728	679,728
Transfer to statutory reserve	-	-	67,973	-	-	-	(67,973)	-
<b>At 31 December</b>	<b>2,974,048</b>	<b>(46,702)</b>	<b>1,045,737</b>	<b>3,993,000</b>	<b>1,000,000</b>	<b>2,310,979</b>	<b>1,070,195</b>	<b>12,347,257</b>
2004	Share capital	Treasury shares	Statutory reserve	General reserve	Development and raw material reserve	Fair value reserve	Retained earnings	Total
As at January	2,974,048	(46,702)	924,124	3,743,000	1,000,000	561,421	1,861,621	11,017,512
Effect of adoption of IAS 39 (revised): Transfer of net fair value profit on available-for-sale investments from retained earnings to reserves (Note 2b)	-	-	-	-	-	672,559	(672,559)	-
At 1 January 2004 (restated)	2,974,048	(46,702)	924,124	3,743,000	1,000,000	1,233,980	1,189,062	11,017,512
Dividend declared for 2003	-	-	-	-	-	-	(440,942)	(440,942)
Directors' remunerations paid	-	-	-	-	-	-	(49,500)	(49,500)
Change in fair value of Available-for-sale investments	-	-	-	-	-	745,233	-	745,233
Transfer to general reserve	-	-	-	250,000	-	-	(250,000)	-
Net profit for the year	-	-	-	-	-	-	536,402	536,402
Transfer to statutory reserve	-	-	53,640	-	-	-	(53,640)	-
<b>At 31 December</b>	<b>2,974,048</b>	<b>(46,702)</b>	<b>977,764</b>	<b>3,993,000</b>	<b>1,000,000</b>	<b>1,979,213</b>	<b>931,382</b>	<b>11,808,705</b>

The financial statements consist of pages 3 to 18.

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2005**

Bahraini dinars

	<b>2005</b>	<b>2004</b>
<b>OPERATING ACTIVITIES</b>		
Cash received from customers	5,965,341	6,573,211
Subsidies received from Bahrain Government	270,881	283,629
Payments to suppliers	(5,021,169)	(5,407,329)
Payments to employees	(1,025,508)	(795,919)
<b>Cash flows from operating activities</b>	<b>189,545</b>	653,592
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(190,673)	(50,795)
Proceeds from investments matured during the year	534,968	113,100
Purchase of available for sale investments	(654,530)	(782,961)
Purchase of held to maturity investments	(438,500)	-
Proceeds from sale of equipment	3,452	1,304
Interest and dividends received	221,459	232,515
Dividends received from associate	50,000	-
<b>Cash flows from investing activities</b>	<b>(473,824)</b>	(486,837)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(438,410)	(429,916)
Directors' remuneration paid	(62,250)	(41,250)
<b>Cash flows from financing activities</b>	<b>(500,660)</b>	(471,166)
<b>Net decrease in cash and cash equivalents</b>	<b>(784,939)</b>	<b>(304,411)</b>
CASH AND CASH EQUIVALENTS at beginning of the year	3,625,109	3,929,520
<b>CASH AND CASH EQUIVALENTS at end of the year</b>	<b>2,840,170</b>	<b>3,625,109</b>
Comprising:		
Cash and bank	529,729	443,002
Short-term fixed deposits	2,310,441	3,182,107
	<b>2,840,170</b>	<b>3,625,109</b>

**NOTES  
to the 2005 financial statements**

Bahraini dinars

**1 STATUS AND OPERATIONS**

Delmon Poultry Company BSC is a public joint stock company, established by Amiri Decree 2/1980.

**The principal objects** of the company include establishing or investing in:

- Facilities for processing, packing and storing frozen chicken;
- Feed factories;
- Integrated project for broiler meat;
- Distribution network affording easy accessibility for consumers; and
- Similar or supporting activities in Bahrain or abroad.

The company also is allowed to invest its surplus funds in all types of investments.

**Current operations**, all in Bahrain, are as follows:

- Chicken processing plant at Hamala
- Feedmill at Mina Salman
- Chicks hatchery at Al-Buhair

**2 SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

**b) Basis of preparation**

The financial statements are prepared on the historical cost basis except for available-for-sale investments which are stated at fair value. The following accounting policies have been consistently applied by the Company with those used in previous year, except for changes resulting from revisions to International Accounting Standard (IAS) 39 - Financial Instruments: Recognition and Measurement which became effective on 1 January 2005.

The revisions to IAS 39 resulted in reclassification of net unrealised gains arising from changes in fair values of available-for-sale investments previously accounted for in retained earnings on adoption of the previous IAS 39 on 1 January 2001. In accordance with the revised IAS 39, effective 1 January 2005, all unrealised gains and losses arising from changes in fair values of available-for-sale investments are to be recognised in a separate fair value reserve. Accordingly, in accordance with the transitional provisions of the revised IAS 39, the unrealised fair value gains and losses previously accounted for in retained earnings have been transferred to the available-for-sale investments fair value reserve at 1 January 2004, being the earliest reported period. This amendment did not have any impact on the 2004 income statement.

**c) Revenue recognition**

Sales are recognised when a customer becomes entitled to take delivery of the goods. Income from investments is accounted for when dividends are declared. Bank interest is recognised on accrual basis.

**d) Other operating expenses**

Overhead expenses are allocated to chicken, feed and chicks on the basis of cost of sales.

**e) Government grant**

Government grant related to sales of chicken in Bahrain is recognised in the income statement as other operating revenue when the grant becomes receivables.

**NOTES**  
**to the 2005 financial statements**

Bahraini dinars

**2 Significant accounting policies (continued)**

**f) 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.

**g) Foreign currency**

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

Monetary assets and liabilities are translated into Bahraini Dinars at exchange rates ruling at the balance sheet 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 income statement. Translation differences for non-monetary items, such as equities classified as available-for-sale investments, are included in a fair value reserve in equity.

**h) Investment in associated company**

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments in associate companies are accounted for under the equity method of accounting. The financial statements include the Company's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

**i) Investments**

Available-for-sale investments (AFS) are stated at fair value. Fair value for quoted available-for-sale investments is their market bid price. Unquoted securities are determined by reference to the net asset value of the investment. Unrealised gains and losses arising from changes in the fair values of available-for-sale investments are recognised in a fair value reserve as a separate component of equity. In the event of sale, disposal collection or impairment, the related cumulative gains and losses recognised in equity are transferred to the income statement of that year. Purchases and sales of AFS investments are accounted for on the trade date.

Debt securities where the company has the positive intention and ability to hold to maturity are categorised as held-to-maturity investment securities and are stated at amortised cost less provision for impairment, If any.

**j) Trade receivables**

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

**NOTES  
to the 2005 financial statements**

Bahraini dinars

**2 Significant accounting policies (continued)**

**k) Provisions**

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

**l) Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense when incurred.

**m) Depreciation**

Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the cost of the assets over their estimated useful working lives as follows:

Building (on leased land)	20 years
Plant and machinery	10 years
Furniture, vehicles, tools and equipment	2-5 years

All depreciation is charged to the income statement. When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed and any resultant gain or loss is taken to the income statement.

**n) Reserves**

**i) Statutory reserve**

In accordance with the company's Articles of Association and the Bahrain Commercial Companies Law 2001, 10 percent of the net profit is appropriated to a statutory reserve, until it reaches 50 percent of the paid-up share capital. This reserve is not normally distributable except under certain circumstances specified by the law.

**ii) Development reserve**

This is a distributable general reserve intended to fund future capital expenditure.

**iii) Raw materials fluctuation reserve**

This reserve has been recommended by the board of directors in 1997 as a result of the 1996 profit fluctuation due to the sudden world-wide increase in raw material prices. There are no restrictions on the distributions of this reserve.

**o) Treasury shares**

Where the Company purchases its own equity share capital, the consideration paid, including any attributable transaction costs, are deducted from total equity and recorded as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any gain or loss is included in equity.

**NOTES**  
**to the 2005 financial statements**

Bahraini dinars

**2 Significant accounting policies (continued)**

**p) Impairment**

The carrying amount of the company's assets, other than inventories (refer accounting policy above) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. 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.

**q) Cash and cash equivalents**

Comprises cash in hand and at banks and short-term deposits maturing within 90 days. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**r) Proposed appropriations**

Dividends and other proposed appropriations are recognised as liability in the period in which they are declared by the shareholders.

**s) Employees' end of service benefits**

**(i) Bahraini employees**

Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

**(ii) Expatriate employees**

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 1976, based on length of service and final remuneration. Provision for this unfunded commitment 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 balance sheet date.

**3 TRADE RECEIVABLES**

Balance at 31 December  
 Provision for asset impairment

	2005	2004
	659,041	709,892
	(8,862)	(60,522)
<b>Balance at 31 December</b>	<b>650,179</b>	<b>649,370</b>

**Balance at 31 December**

Accrued income  
 Advances to suppliers  
 Prepaid expenses  
 Others  
 Provision for asset impairment

	2005	2004
	55,108	54,384
	149,334	149,334
	10,752	11,650
	11,426	11,483
	(70,043)	(63,446)
<b>156,577</b>	<b>163,405</b>	

**4 ACCRUED INCOME AND OTHER RECEIVABLES**

**NOTES**  
**to the 2005 financial statements**

Bahraini dinars

**5 INVENTORIES**

Finished goods	
- Feed	34,634
- Frozen/chilled chicken	275,276
Hatching eggs - hatchery	47,360
Raw material and packing materials	654,756
Spare parts for plant and machinery	395,683
Provision for impairment	
	1,407,709
	(31,499)
	<b>1,376,210</b>

<b>2005</b>	<b>2004</b>
34,634	25,684
275,276	261,217
47,360	50,790
654,756	504,694
395,683	400,479
1,407,709	1,242,864
(31,499)	(15,888)
<b>1,376,210</b>	<b>1,226,976</b>

**6 AVAILABLE-FOR-SALE INVESTMENTS***Classification:*

Quoted equity securities	2,794,092
Unquoted equity securities	41,453
Managed funds	2,084,307

<b>2005</b>	<b>2004</b>
2,794,092	2,432,305
41,453	20,944
2,084,307	2,044,501

*Movement:*

At 1 January	4,497,750
Purchase of AFS investments	654,530
Sale of AFS investments	(521,253)
Increase in fair value reserve	288,825
At 31 December	<b>4,919,852</b>

3,563,786
301,831
(113,085)
745,218
4,497,750

Unquoted equity securities are stated at net asset value. There are no active markets or other appropriate methods from which to derive reliable fair values for these investments.

**7 HELD-TO-MATURITY INVESTMENTS**

Government of Oman bonds	481,130
Government Islamic leasing securities	159,132
Bahrain Commercial Facilities	250,000
Esterad Investment Company	188,500

<b>2005</b>	<b>2004</b>
481,130	481,130
159,132	158,319
250,000	-
188,500	-

**8 INVESTMENT IN ASSOCIATED COMPANY**

At 1 December	836,620
Share of profit for the year and fair value reserve	228,400
Dividends received	(50,000)
At 31 December	<b>1,015,020</b>

<b>2005</b>	<b>2004</b>
836,620	624,827
228,400	246,793
(50,000)	(35,000)

The company owns 25% share in Bahrain Livestock Company BSC (closed). In applying the equity method, the last Management Accounts as of 31 December 2005 have been used.

**NOTES**  
**to the 2005 financial statements**

Bahraini dinars

<b>9 PROPERTY, PLANT AND EQUIPMENT</b>	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	<b>2005 Total</b>	2004 Total
<b>Cost</b>						
At beginning of year	3,411,906	4,116,544	1,533,052	42,934	9,104,436	9,081,268
Additions	-	25,867	96,768	75,477	198,112	50,795
Transfer	26,605	80,099	-	(106,704)	-	-
Disposals	-	-	(50,723)	(9,251)	(59,974)	(27,627)
At 31 December	<b>3,438,511</b>	<b>4,222,510</b>	<b>1,579,097</b>	<b>2,456</b>	<b>9,242,574</b>	9,104,436
<b>Depreciation</b>						
At beginning of year	3,076,655	3,911,674	1,326,678	-	8,315,007	8,133,647
Charge for the year	36,756	49,207	109,917	-	195,880	208,750
Disposals	-	-	(50,723)	-	(50,723)	(27,390)
At 31 December	<b>3,113,411</b>	<b>3,960,881</b>	<b>1,385,872</b>	<b>-</b>	<b>8,460,164</b>	8,315,007
<b>Net carrying value</b>						
<b>At 31 December 2005</b>	<b>325,100</b>	<b>261,629</b>	<b>193,225</b>	<b>2,456</b>	<b>782,410</b>	789,429
At 31 December 2004	<b>335,251</b>	<b>204,870</b>	<b>206,374</b>	<b>42,934</b>	<b>789,429</b>	

The reclaimed land at Mina Salman, on which the feedmill was built is owned by the Government. The cost of reclaiming the land was paid by the company and is included as part of the buildings cost.

**10 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<b>2005</b>	<b>2004</b>
Unclaimed declared dividends (1986-2004)	102,004	99,472
Payments received in advance from farmers	16,449	24,190
Accrued expenses	12,850	96,742
Miscellaneous payables	15,425	34,597
	<b>146,728</b>	<b>255,001</b>

**11 SHARE CAPITAL**

Authorised: BD 10 million  
**Issued and fully paid:** 29,740,480 shares of 100 fils each  
344,340 treasury shares

**Net shares in public issue**

<b>2005</b>	<b>2004</b>
2,974,048	2,974,048
(46,702)	(46,702)
<b>2,927,346</b>	<b>2,927,346</b>

**Performance per share**

Earnings per 100 fils share  
Net asset value per 100 fils share  
Stock Exchange price per 100 fils share at 31 December  
Stock Exchange price to earnings ratio  
Total market capitalisation at 31 December

23 fils	18 fils
420 fils	402 fils
300 fils	303 fils
13:1	16.8:1
8,818,842	8,907,030

**NOTES**  
**to the 2005 financial statements**

Bahraini dinars

**11 Share capital (continued)**

**Additional information on shareholding pattern**

- (i) Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest on 5% or more of outstanding shares.

**Performance per share**

The Pension Fund Commission Military & Civil  
 General Poultry Company  
 General Trading & Food Processing Company  
 Abdulhameed Zainal Mohammed

Nationality	No. of shares	% holding
Bahraini	5,186,360	17.44
Bahraini	4,358,460	14.65
Bahraini	2,908,920	9.78
Bahraini	1,867,118	6.28

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

- (iii) Distribution of the directors holding:

Number of shares held	Between 0 and 99,999 shares	Between 100,000 and 499,999 shares	Between 500,000 and 2,000,000 shares	Above 2,000,000 shares
Number of directors	-	6	-	3

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

**Categories\***

Less than 1%  
 1% up to less than 5%  
 5% up to less than 10%  
 10% up to less than 20%

Number of Shares	Number of shareholders	% of total outstanding shares
10,177,668	1,598	34.22
5,241,954	9	17.63
4,776,038	2	16.06
9,544,820	2	32,09
29,740,480	1,611	100.00

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

**12 SEGMENTAL ANALYSIS**

The Company is organised into three main business segments: Chicken, Feed and Chicks

The Company operates in Bahrain only.

Segment assets include all operating assets used by a segment and consist primarily of accounts receivable, inventories and property, plant and equipment. Whilst the majority of assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities.

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## 12 Segmental analysis (continued)

	Chickens	Feed	Chicks	Total 2005
<b>2005</b>				
Sales	4,727,822	2,253,015	897,916	7,878,753
Discounts	(84,311)	(74,122)	(1,063)	(159,496)
Cost of sales	(4,518,930)	(1,932,369)	(934,035)	(7,385,334)
<b>Gross profit (loss)</b>	<b>124,581</b>	<b>246,524</b>	<b>(37,182)</b>	<b>333,923</b>
Other operating expenses	(234,722)	(89,498)	(43,046)	(367,266)
Government grant	250,315	-	-	250,315
<b>Operating profit (loss)</b>	<b>140,174</b>	<b>157,026</b>	<b>(80,228)</b>	<b>216,972</b>
Unallocated income	-	-	-	462,756
<b>NET PROFIT FOR 2005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>679,728</b>
Assets	-	-	-	-
Unallocated assets	-	-	-	12,819,181
Liabilities	-	-	-	-
Unallocated liabilities	-	-	-	(471,923)

	Chickens	Feed	Chicks	Total 2004
<b>2004</b>				
Sales	4,442,023	2,235,033	971,647	7,648,703
Discounts	(71,727)	(60,844)	-	(132,571)
Cost of sales	(4,391,868)	(1,942,267)	(931,827)	(7,265,962)
<b>Gross profit (loss)</b>	<b>(21,572)</b>	<b>231,922</b>	<b>39,820</b>	<b>250,170</b>
Other operating expenses	(211,153)	(147,069)	(42,533)	(400,755)
Government grant	241,613	-	-	241,613
<b>Operating profit (loss)</b>	<b>8,888</b>	<b>84,853</b>	<b>(2,713)</b>	<b>91,028</b>
Unallocated income	-	-	-	445,374
<b>NET PROFIT FOR THE 2004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>536,402</b>
Assets	-	-	-	-
Unallocated assets	-	-	-	12,428,108
Liabilities	-	-	-	-
Unallocated liabilities	-	-	-	(619,403)

## 13 COST OF SALES

	Chicken	Feed	Chicks	Total 2005	Total 2004
Raw materials	3,704,840	1,626,321	773,567	6,104,728	6,001,298
Staff cost	563,758	191,095	86,370	841,223	818,224
Depreciation	96,479	21,606	45,414	163,499	159,812
Other	153,853	93,347	28,684	275,884	286,628
<b>Total</b>	<b>4,518,930</b>	<b>1,932,369</b>	<b>934,035</b>	<b>7,385,334</b>	<b>7,265,962</b>

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**14 OTHER OPERATING EXPENSES**

Staff cost  
 Depreciation  
 Provision for assets impairment  
 Other

**Total**

<b>Total 2005</b>	<b>Total 2004</b>
173,289	185,894
39,551	42,044
25,835	68,640
128,591	104,177
<b>367,266</b>	<b>400,755</b>

**15 GOVERNMENT GRANT**

Government grant is related to quantity of chicken sold during the year. Each KG sold is entitled to 50 fils.

**16 INVESTMENT INCOME**

Profit on sale of AFS investments  
 Interest income  
 Dividend income

<b>2005</b>	<b>2004</b>
25,233	1,885
138,384	53,679
106,887	138,482
<b>270,504</b>	<b>194,046</b>

**17 EARNING PER SHARE**

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of equity shares outstanding during the year ended 31 December 2005 as follows:

Profit for the year  
 Weighted average number of equity shares  
 Basic earnings per share

<b>2005</b>	<b>2004</b>
679,728	536,402
29,396,140	29,396,140
<b>23 fils</b>	<b>18 fils</b>

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**18 RELATED PARTIES**

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

Transactions with entities controlled by directors, or over which they exert significant influence, are conducted on a normal commercial basis.

	<b>2005</b>	2004
Amounts due from related parties	134,024	69,086
Sales to related parties	512,753	478,189
Purchases from related parties	360,131	466,655

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

	<b>2005</b>	2004
Board remuneration	32,000	49,500
Board attendance fees	10,250	10,500
Salaries and other benefits	53,000	31,167

**19 CONTINGENT LIABILITIES**

	<b>2005</b>	2004
Bank guarantees	28,000	30,307
Letters of credit	609,700	26,281

**20 Employee benefits**

The company employs 184 Bahrainis and 4 expatriates as at 31 December 2005 (2004: 177 Bahrainis and 5 expatriates).

Pension rights (and other social benefits) for **Bahraini employees** are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of salaries basis. The company's contributions in respect of Bahraini employees for 2005 amounted to BD 74,348 (2004: BD 73,124).

**Expatriate employees** on limited-term contracts are entitled to leaving indemnities payable under the Bahrain Labour Law for the private sector 1976, based on length of service and final remuneration. The liability, which is unfunded, is provided for on the basis of the notional cost had all employees left at the balance sheet date and is included in the balance sheet under "Provision for labour law obligation". The provision for the company at 31 December 2005 in respect of expatriate employees was BD 11,590 (2004: BD 10,704).

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**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments consist of financial assets and financial liabilities.

**Financial assets** of the company include cash, deposit, receivables, available for sale investments and held to maturity investments.

**Financial liabilities** of the company include accounts payable and accrued liabilities.

Accounting policies for financial assets and liabilities are set out in note 2.

The risks associated with financial instruments and the company's approaches to managing such risks are described below.

**Interest rate risk** is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company's bank and short-term deposits are at fixed interest rates and mature within one year and repricing occurs when funds are reinvested on maturity of a deposit. Investments in Rental Islamic government bonds carry fixed interest rates of 4%. (2004: 4%)

**The effective interest rate** is the historical rate for a fixed rate instrument carried at cost, and the current market rate for a floating rate instrument. The effective interest rate for fixed deposits was 3% (2004: 1.5%) and the bonds 4.2%.

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

Cash is placed with national banks having good credit ratings.

The company's exposure to credit risk is mainly in respect of trade receivables. Management seeks to limit credit risk by selectively granting credit terms to creditworthy customers and by limiting the credit period.

**Currency risk** is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company has investments in Bahraini dinars, and US dollars. The dinar is effectively pegged to the dollar.

**Liquidity risk** is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by maintaining cash and cash equivalents at a high level so that sufficient funds are available, including unutilised credit facilities with banks, to meet any future commitments.

**Market risk** is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors effecting all securities traded in the market.

The company is exposed to market risk with respect to its investments in available-for-sale securities.

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**21 Financial instruments and risk management (continued)**

**Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

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

The fair values of the company's investments are shown in note 2(i) and note 6.

The fair values of the company's cash, deposits, receivables, and payables, are not materially different from their carrying values.

**22 Critical accounting estimates and judgments in applying accounting policies**

The Company makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. Estimates 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.

**Judgments**

In the process of applying the Company's accounting policies, management decides on acquisition of an investment whether it should be classified as carried at trading securities or available-for-sale securities or held to maturity. Investments are classified as trading if the security is principally acquired for the purpose of selling or repurchasing in the near future for generating profits from short-term fluctuations in price and are classified as held to maturity if the Company has the positive intention and ability to hold to maturity. All other investments are classified as available-for-sale.

**Estimations**

The Company determines that available-for-sale unquoted equity securities and managed funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

**23 PROPOSED APPROPRIATIONS**

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

	<b>2005</b>	<b>2004</b>
Dividends to shareholders	470,338	440,942
Statutory Reserve	67,973	53,640
Remuneration of Board of Directors	40,500	32,000
	<b>578,811</b>	<b>526,582</b>

**24 COMPARATIVES**

Certain prior year amounts have been reclassified to conform to the presentation in the current year. Such reclassifications do not affect previously reported net profit or total equity.