

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

**31 DECEMBER 2006**

**FINANCIAL STATEMENTS**  
**for the year ended 31 December 2006**

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**GENERAL INFORMATION**  
**2006 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
Executive Committee	:	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
Audit Committee	:	Abdul Nabi Nasser Salman ( <i>Chairman</i> ) Abdulhussain Khalil Dawani Abdulredha Mohamed Al-Daylami Ibrahim Abdali Al-Daissi
General Manager	:	Ibrahim Tadayyon
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**  
Al-Hamala, Kingdom of Bahrain

3 March 2007

**Report on the financial statements**

We have audited the accompanying financial statements of Delmon Poultry Company BSC ("the Company"), which comprise the balance sheet as at 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Responsibility of the directors for the financial statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Report of the auditors to the shareholders (continued)*

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards

*Report on other legal and regulatory requirements*

In addition, in our opinion, the Company has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the 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. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

**BALANCE SHEET**  
**as at 31 December 2006**

Bahraini dinars

	Notes	2006	2005
<b>CURRENT ASSETS</b>			
Cash and bank		669,465	529,729
Short-term fixed deposits		2,830,362	2,310,441
Trade receivables	3	772,461	650,179
Accrued income and other receivables	4	143,928	156,577
Inventories	5	960,381	1,376,210
<b>Total current assets</b>		<b>5,376,597</b>	5,023,136
<b>NON-CURRENT ASSETS</b>			
Available for sale investments	6	5,026,718	4,919,852
Held to maturity investments	7	1,274,142	1,078,762
Investment in associated company	8	942,927	1,015,020
Property, plant and equipment	9	671,537	782,410
<b>TOTAL ASSETS</b>		<b>13,291,921</b>	12,819,180
<b>CURRENT LIABILITIES</b>			
Trade payables		243,412	209,497
Accrued expenses and other current liabilities	10	239,433	146,728
<b>Total current liabilities</b>		<b>482,845</b>	356,225
<b>NON-CURRENT LIABILITIES</b>			
Provision for labour law obligations		103,452	115,698
<b>TOTAL LIABILITIES</b>		<b>586,297</b>	471,923
<b>EQUITY</b>			
Share capital	11	2,927,346	2,927,346
Reserves		8,498,872	8,349,716
Retained earnings		1,279,406	1,070,195
<b>Total equity (pages 6 &amp; 7)</b>		<b>12,705,624</b>	12,347,257
<b>Total Liabilities and equity</b>		<b>13,291,921</b>	12,819,180

The financial statements were approved by the board of directors on 3 March 2007 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 2006**

Bahraini dinars

	Notes	2006	2005
<b>SALES</b>			
Discounts	12	8,155,041	7,878,753
Cost of sales	12,13	(275,882) (7,398,503)	(159,496) (7,381,071)
<b>GROSS PROFIT</b>		<b>480,656</b>	338,186
OTHER OPERATING EXPENSES	14	(459,851)	(371,529)
GOVERNMENT GRANT	15	256,141	250,315
<b>OPERATING PROFIT</b>		<b>276,946</b>	216,972
OTHER INCOME			
Investment income	16	495,809	270,504
Share of profit in associate	8	21,346	174,753
Other income		5,953	17,499
<b>NET PROFIT FOR THE YEAR</b>		<b>800,054</b>	679,728
Earning per share	17	<b>27 fils</b>	23 fils

Mohamed Abdulla Al-Mannai  
*Chairman*

Yousuf Saleh Al-Saleh  
*Managing director*

These financial statements consist of pages 4 to 21.

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2006**

Bahraini dinars

2006	Share capital	Treasury shares	Statutory reserve	General reserve	Development and raw material reserve	Investments fair value reserve	Retained earnings	Total
As at 1 January	2,974,048	(46,702)	1,045,737	3,993,000	1,000,000	2,310,979	1,070,195	12,347,257
Available For Sale investments						230,686	-	230,686
Change in fair value of Available-for-sale investments	-	-	-	-	-	230,686	-	230,686
Transfer to income statement on sale of AFS investments	-	-	-	-	-	(134,096)	-	(134,096)
Net Change of fair value reserve for available for sale investments	-	-	-	-	-	96,590	-	96,590
Change in fair value of investments in associates	-	-	-	-	-	(27,439)	-	(27,439)
<b>Net income and expense recognised directly in equity</b>						69,151	-	69,151
Net profit for the year (page 5)	-	-	-	-	-	-	800,054	800,054
<b>Total recognised income and expense for the year</b>						69,151	800,054	869,205
Dividend declared for 2005	-	-	-	-	-	-	(470,338)	(470,338)
Directors' remuneration paid for 2005	-	-	-	-	-	-	(40,500)	(40,500)
Transfer to statutory reserve	-	-	80,005	-	-	-	(80,005)	-
<b>At 31 December</b>	<b>2,974,048</b>	<b>(46,702)</b>	<b>1,125,742</b>	<b>3,993,000</b>	<b>1,000,000</b>	<b>2,380,130</b>	<b>1,279,406</b>	<b>12,705,624</b>

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2006**

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 1 January	2,974,048	(46,702)	977,764	3,993,000	1,000,000	1,979,213	931,382	11,808,705
Available For Sale investments						289,636	-	289,636
Change in fair value of Available-for-sale investments	-	-	-	-	-	289,636	-	289,636
Transfer to income statement on sale of AFS investments	-	-	-	-	-	(11,517)	-	(11,517)
Net Change of fair value reserve for available for sale investments	-	-	-	-	-	278,119	-	278,119
Change in fair value of investments in associates	-	-	-	-	-	53,647	-	53,647
Net income and expense recognised directly in equity	-	-	-	-	-	331,766	-	331,766
Net profit for the year(page 5)	-	-	-	-	-	-	679,728	679,728
Total recognised income and expense for the year	-	-	-	-	-	331,766	679,728	1,011,494
Dividend declared for 2004	-	-	-	-	-	-	(440,942)	(440,942)
Directors' remuneration paid for 2004	-	-	-	-	-	-	(32,000)	(32,000)
Transfer to statutory reserve	-	-	67,973	-	-	-	(67,973)	-
At 31 December	2,974,048	(46,702)	1,045,737	3,993,000	1,000,000	2,310,979	1,070,195	12,347,257

The financial statements consist of pages 4 to 21.

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2006**

Bahraini dinars

	<b>2006</b>	2005
<b>OPERATING ACTIVITIES</b>		
Cash received from customers	6,221,659	5,965,341
Subsidies received from Bahrain Government	234,232	270,881
Payments to suppliers	(4,519,989)	(5,021,169)
Payments to employees	(1,102,908)	(1,055,758)
<b>Cash flows from operating activities</b>	<b>832,994</b>	159,295
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(54,258)	(190,673)
Proceeds held to maturity investments matured during the year	463,949	534,968
Proceeds from sale of available for sale investments	79,305	-
Purchase of available for sale investments	(480,224)	(654,530)
Purchase of held to maturity investments	(195,380)	(438,500)
Proceeds from sale of equipment	-	3,452
Interest and dividends received	447,010	221,459
Dividends received from associate	66,000	50,000
<b>Cash flows from investing activities</b>	<b>326,402</b>	(473,824)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(459,239)	(438,410)
Directors' remuneration paid	(40,500)	(32,000)
<b>Cash flows from financing activities</b>	<b>(499,739)</b>	(470,410)
<b>Net increased (decrease) in cash and cash equivalents</b>	<b>659,657</b>	(784,939)
CASH AND CASH EQUIVALENTS at beginning of the year	2,840,170	3,625,109
<b>CASH AND CASH EQUIVALENTS at end of the year</b>	<b>3,499,827</b>	2,840,170
Comprising:		
Cash and bank	669,465	529,729
Short-term fixed deposits	2,830,362	2,310,441
	<b>3,499,827</b>	2,840,170

These financial statements consist of pages 4 to 21.

**NOTES  
to the 2006 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 and Bahrain Commercial companies Law of 2001.

**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 accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

**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 receivable.

**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.

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<b>to the 2006 financial statements</b>	<b>Bahraini dinars</b>
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**2 Significant accounting policies (continued)**

**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 received at 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.

**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.

**NOTES**  
**to the 2006 financial statements**

Bahraini dinars

**2 Significant accounting policies (continued)**

**I) 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 2006 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**

This 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

2006	2005
790,706	659,041
(18,245)	(8,862)
<b>772,461</b>	<b>650,179</b>

**Balance at 31 December**

**4 ACCRUED INCOME AND OTHER RECEIVABLES**

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

2006	2005
85,397	55,108
149,334	149,334
8,107	10,752
11,932	11,426
(110,842)	(70,043)
<b>143,928</b>	<b>156,577</b>

**NOTES**  
**to the 2006 financial statements**

Bahraini dinars

**5 INVENTORIES**

Finished goods  
 - Feed  
 - Frozen/chilled chicken  
 Hatching eggs - hatchery  
 Raw material and packing materials  
 Spare parts for plant and machinery

<b>2006</b>	2005
17,302	34,634
26,062	275,276
46,201	47,360
478,416	654,756
392,824	395,683
960,805	1,407,709
(424)	(31,499)
<b>960,381</b>	<b>1,376,210</b>

Provision for impairment

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

Quoted equity securities  
 Unquoted equity securities  
 Managed funds

<b>2006</b>	2005
2,752,760	2,794,092
196,382	41,453
2,077,576	2,084,307
<b>5,026,718</b>	<b>4,919,852</b>

**Movement:**

At 1 January  
 Purchase of AFS investments  
 Sale of AFS investments  
 Increase in fair value reserve

4,919,852	4,496,937
480,224	654,530
(469,948)	(509,734)
96,590	278,119
<b>5,026,718</b>	<b>4,919,852</b>

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 Bonds  
 Commercial Companies Bonds

<b>2006</b>	2005
640,262	640,262
633,880	438,500
<b>1,274,142</b>	<b>1,078,762</b>

**8 INVESTMENT IN ASSOCIATED COMPANY**

At 1 January  
 Net profit for the year  
 Fair value reserve  
 Dividends received

<b>2006</b>	2005
1,015,020	836,620
21,346	174,753
(27,439)	53,647
(66,000)	(50,000)
<b>942,927</b>	<b>1,015,020</b>

The company owns 25% share in Bahrain Livestock Company BSC (closed). In applying the equity method; the last Management Accounts as of 31 December 2006 have been used, which included the following data:

**NOTES**  
**to the 2006 financial statements**

Bahraini dinars

**8 INVESTMENT IN ASSOCIATED COMPANY (continued)****SUMMARY OF FINANCIAL INFORMATION OF ASSOCIATE**

	<b>2006</b>	2005
Current assets	5,817,300	4,262,650
Non-current assets	290,471	348,309
<b>Total assets</b>	<b>6,107,771</b>	4,610,959
Current liabilities	2,286,065	550,880
<b>Total liabilities</b>	<b>2,286,065</b>	<b>550,880</b>
Revenues	21,405,823	18,310,606
Expenses	(21,133,996)	(17,491,627)
<b>Net profit</b>	<b>271,827</b>	818,979

**9 PROPERTY, PLANT AND EQUIPMENT****Cost**

At beginning of year

Additions

Disposals

At 31 December

	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	2006 Total	2005 Total
At beginning of year	3,438,511	4,222,510	1,579,097	2,456	9,242,574	9,104,436
Additions	5,156	23,003	32,163	2,790	63,112	198,112
Disposals	-	-	-	(820)	(820)	(59,974)

At 31 December

	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	2006 Total	2005 Total
At 31 December	<b>3,443,667</b>	<b>4,245,513</b>	<b>1,611,260</b>	<b>4,426</b>	<b>9,304,866</b>	9,242,574

**Depreciation**

At beginning of year

Charge for the year

Disposals

At 31 December

	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	2006 Total	2005 Total
At beginning of year	3,113,411	3,960,881	1,385,872	-	8,460,164	8,315,007
Charge for the year	37,690	52,488	82,987	-	173,165	195,880
Disposals	-	-	-	-	-	(50,723)

At 31 December

	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	2006 Total	2005 Total
At 31 December	<b>3,151,101</b>	<b>4,013,369</b>	<b>1,468,859</b>	<b>-</b>	<b>8,633,329</b>	8,460,164

**Net carrying value**

At 31 December 2006

	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	2006 Total	2005 Total
At 31 December 2006	<b>292,566</b>	<b>232,144</b>	<b>142,401</b>	<b>4,426</b>	<b>671,537</b>	782,410

At 31 December 2005

	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	2006 Total
At 31 December 2005	<b>325,100</b>	<b>261,629</b>	<b>193,225</b>	<b>2,456</b>	<b>782,410</b>

The reclaimed land at Minaa Salman on which the feedmill was built and the land on which the administration building and the slaughterhouse are owned by the Government.

**10 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Unclaimed declared dividends (1986-2005)

Payments received in advance from farmers

Accrued expenses

Miscellaneous payables

	2006	2005
Unclaimed declared dividends (1986-2005)	113,104	102,004
Payments received in advance from farmers	19,252	16,449
Accrued expenses	19,100	12,850
Miscellaneous payables	87,977	15,425
	<b>239,433</b>	146,728

**NOTES**  
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**11 SHARE CAPITAL**

Authorised: BD 10 million

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

<b>2006</b>	<b>2005</b>
2,974,048	2,974,048
(46,702)	(46,702)
<b>2,927,346</b>	<b>2,927,346</b>

**Net shares in public issue****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

27 fils	23 fils
432 fils	420 fils
308 fils	300 fils
11:1	13:1
9,054,011	8,818,842

***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 2006:

**Performance per share**

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

<b>Nationality</b>	<b>No. of shares</b>	<b>% holding</b>
Bahraini	5,237,360	17.61
Bahraini	4,358,460	14.65
Bahraini	2,908,920	9.78
Bahraini	1,919,118	6.45

- (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**

	<b>Between 0 and 99,999 shares</b>	<b>Between 100,000 and 499,999 shares</b>	<b>Between 500,000 and 2,000,000 shares</b>	<b>Above 2,000,000 shares</b>
Number of directors	-	6	-	3

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

**Categories\***

	<b>Number of Shares</b>	<b>Number of shareholders</b>	<b>% of total outstanding shares</b>
Less than 1%	10,725,298	1,569	36.06
1% up to less than 5%	4,591,324	9	15.44
5% up to less than 10%	4,828,038	2	16.23
10% up to less than 20%	9,595,820	2	32.37
	<b>29,740,480</b>	<b>1,582</b>	<b>100.00</b>

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

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## 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.

	<b>Chickens</b>	<b>Feed</b>	<b>Chicks</b>	<b>Total 2006</b>
<b>2006</b>				
Sales	4,868,835	2,388,874	897,332	8,155,041
Discounts	(141,667)	(134,215)	-	(275,882)
Cost of sales	(4,634,300)	(1,930,034)	(834,169)	(7,398,503)
<b>Gross profit (loss)</b>	<b>92,868</b>	<b>324,625</b>	<b>63,163</b>	<b>480,656</b>
Other operating expenses	(224,572)	(196,027)	(39,252)	(459,851)
Government grant	256,141	-	-	256,141
<b>Operating profit (loss)</b>	<b>124,437</b>	<b>128,598</b>	<b>23,911</b>	<b>276,946</b>
Unallocated income				523,108
<b>NET PROFIT FOR 2006</b>				<b>800,054</b>
Assets	-	-	-	-
Unallocated assets	-	-	-	13,291,921
Liabilities	-	-	-	-
Unallocated liabilities	-	-	-	(586,297)

	<b>Chickens</b>	<b>Feed</b>	<b>Chicks</b>	<b>Total 2005</b>
<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	(4,515,917)	(1,931,119)	(934,035)	(7,381,071)
<b>Gross profit (loss)</b>	<b>127,594</b>	<b>247,774</b>	<b>(37,182)</b>	<b>338,186</b>
Other operating expenses	(237,735)	(90,748)	(43,046)	(371,529)
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>679,728</b>
Assets	-	-	-	-
Unallocated assets	-	-	-	12,819,180
Liabilities	-	-	-	-
Unallocated liabilities	-	-	-	(471,923)

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**13 COST OF SALES**

	Chicken	Feed	Chicks	<b>Total 2006</b>	Total 2005
Raw materials	3,487,886	1,657,648	673,306	5,818,840	6,104,728
Staff cost	624,236	195,557	96,428	916,221	841,223
Depreciation	92,691	14,127	41,464	148,282	163,499
Other	429,487	62,702	22,971	515,160	271,621
<b>Total</b>	<b>4,634,300</b>	<b>1,930,034</b>	<b>834,169</b>	<b>7,398,503</b>	7,381,071

**14 OTHER OPERATING EXPENSES**

	<b>2006</b>	<b>2005</b>
Staff cost	191,769	173,289
Depreciation	24,883	39,551
Provision for assets impairment	50,605	30,098
Other	192,594	128,591
<b>Total</b>	<b>459,851</b>	371,529

**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**

	<b>2006</b>	<b>2005</b>
Profit on sale of AFS investments	179,159	25,233
Interest income	207,169	138,384
Dividend income	109,481	106,887
	<b>495,809</b>	270,504

**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 2006 as follows:

	<b>2006</b>	<b>2005</b>
Profit for the year	800,054	679,728
Weighted average number of equity shares	29,396,140	29,396,140
Basic earnings per share	<b>27 fils</b>	23 fils

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

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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>2006</b>	2005
Amounts due from related parties	132,163	134,024
Sales to related parties	668,555	512,753
Purchases from related parties	408,454	360,131

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>2006</b>	2005
Board remuneration	40,500	32,000
Board attendance fees	15,500	10,250
Salaries and other benefits	38,573	53,000

**19 CONTINGENT LIABILITIES**

	<b>2006</b>	2005
Bank guarantees	27,000	28,000
Letters of credit	297,453	609,700

**20 Employee benefits**

The company employs 181 Bahrainis and 4 expatriates as at 31 December 2006 (2005: 184 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 2006 amounted to BD 75,561(2005: BD 74,348).

**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 2006 in respect of expatriate employees was BD 12,309 (2005: BD 11,590).

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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%. (2005: 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 4.5% (2005: 3.1%) 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.

Dividends to shareholders  
Statutory Reserve  
Remuneration of Board of Directors

<b>2006</b>	<b>2005</b>
529,131	470,338
80,005	67,973
54,000	40,500
<b>663,136</b>	<b>578,811</b>

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**24 NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

During the year the following new/ amended IFRS's standards and interpretations have been issued which are not yet mandatory for adoption by the Group:

- IFRS 7 Financial instruments: Disclosures
- IAS 1 Presentation of Financial Statements (amended)
- IFRIC 10 Interim Financial Reporting and Impairment

The adoption of these standards and interpretations are not expected to have a material impact on the financial statements.

**25 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.