

DELMON POULTRY COMPANY BSC

FINANCIAL STATEMENTS

31 DECEMBER 2006

FINANCIAL STATEMENTS
for the year ended 31 December 2006

CONTENTS	Page
General information	1
Report of the auditors to the shareholders	2 - 3
Financial statements	
Balance sheet	4
Income statement	5
Statement of changes in equity	6 - 7
Statement of cash flows	8
Notes	9 - 21

GENERAL INFORMATION
2006 financial statements

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

3 March 2007

Delmon Poultry Company BSC

Al-Hamala, Kingdom of Bahrain

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
CURRENT ASSETS			
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
Total current assets		5,376,597	5,023,136
NON-CURRENT ASSETS			
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
TOTAL ASSETS		13,291,921	12,819,180
CURRENT LIABILITIES			
Trade payables		243,412	209,497
Accrued expenses and other current liabilities	10	239,433	146,728
Total current liabilities		482,845	356,225
NON-CURRENT LIABILITIES			
Provision for labour law obligations		103,452	115,698
TOTAL LIABILITIES		586,297	471,923
EQUITY			
Share capital	11	2,927,346	2,927,346
Reserves		8,498,872	8,349,716
Retained earnings		1,279,406	1,070,195
Total equity (pages 6 & 7)		12,705,624	12,347,257
Total Liabilities and equity		13,291,921	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

These financial statements consist of pages 4 to 21.

INCOME STATEMENT
for the year ended 31 December 2006

Bahraini dinars

	Notes	2006	2005
SALES	12	8,155,041	7,878,753
Discounts	12	(275,882)	(159,496)
Cost of sales	12,13	(7,398,503)	(7,381,071)
GROSS PROFIT		480,656	338,186
OTHER OPERATING EXPENSES	14	(459,851)	(371,529)
GOVERNMENT GRANT	15	256,141	250,315
OPERATING PROFIT		276,946	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
NET PROFIT FOR THE YEAR		800,054	679,728
Earning per share	17	27 fils	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								
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)
Net income and expense recognised directly in equity	-	-	-	-	-	69,151	-	69,151
Net profit for the year (page 5)	-	-	-	-	-	-	800,054	800,054
Total recognised income and expense for the year	-	-	-	-	-	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)	-
At 31 December	2,974,048	(46,702)	1,125,742	3,993,000	1,000,000	2,380,130	1,279,406	12,705,624

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								
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

	2006	2005
OPERATING ACTIVITIES		
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)
Cash flows from operating activities	832,994	159,295
INVESTING ACTIVITIES		
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
Cash flows from investing activities	326,402	(473,824)
FINANCING ACTIVITIES		
Dividends paid	(459,239)	(438,410)
Directors' remuneration paid	(40,500)	(32,000)
Cash flows from financing activities	(499,739)	(470,410)
Net increased (decrease) in cash and cash equivalents	659,657	(784,939)
CASH AND CASH EQUIVALENTS at beginning of the year	2,840,170	3,625,109
CASH AND CASH EQUIVALENTS at end of the year	3,499,827	2,840,170
Comprising:		
Cash and bank	669,465	529,729
Short-term fixed deposits	2,830,362	2,310,441
	3,499,827	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.

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)**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 followings:

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

Balance at 31 December

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

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)
143,928	156,577

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

Provision for impairment

2006	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)
960,381	1,376,210

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

Quoted equity securities

Unquoted equity securities

Managed funds

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

Movement:

At 1 January

Purchase of AFS investments

Sale of AFS investments

Increase in fair value reserve

At 31 December

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

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

2006	2005
640,262	640,262
633,880	438,500
1,274,142	1,078,762

8 INVESTMENT IN ASSOCIATED COMPANY

At 1 January

Net profit for the year

Fair value reserve

Dividends received

At 31 December

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

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**

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

9 PROPERTY, PLANT AND EQUIPMENT**Cost**

At beginning of year
Additions
Disposals

Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	2006 Total	2005 Total
3,438,511	4,222,510	1,579,097	2,456	9,242,574	9,104,436
5,156	23,003	32,163	2,790	63,112	198,112
-	-	-	(820)	(820)	(59,974)
3.443.667	4.245.513	1.611.260	4.426	9.304.866	9,242,574

Depreciation

At beginning of year
Charge for the year
Disposals

3,113,411 37,690 -	3,960,881 52,488 -	1,385,872 82,987 -	- - -	8,460,164 173,165 -	8,315,007 195,880 (50,723)
3,151,101	4,013,369	1,468,859	-	8,633,329	8,460,164

Net carrying value**At 31 December 2006**

292,566	232,144	142,401	4,426	671,537	782,410
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At 31 December 2005

325,100	261,629	193,225	2,456	782,410
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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
113,104	102,004
19,252	16,449
19,100	12,850
87,977	15,425
239,433	146,728

NOTES**to the 2006 financial statements**

Bahraini dinars

11 SHARE CAPITAL

Authorised: BD 10 million

Issued and fully paid: 29,740,480 shares of 100 fils each

344,340 treasury shares

2006	2005
2,974,048 (46,702)	2,974,048 (46,702)
2,927,346	2,927,346

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

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

Total market capitalisation at 31 December

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

Nationality	No. of shares	% holding
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

Number of directors

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
-	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
10,725,298	1,569	36.06
4,591,324	9	15.44
4,828,038	2	16.23
9,595,820	2	32.37
29,740,480	1,582	100.00

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

NOTES**to the 2006 financial statements**

Bahraini dinars

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.

	Chickens	Feed	Chicks	Total 2006
2006				
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)
Gross profit (loss)	92,868	324,625	63,163	480,656
Other operating expenses	(224,572)	(196,027)	(39,252)	(459,851)
Government grant	256,141	-	-	256,141
Operating profit (loss)	124,437	128,598	23,911	276,946
Unallocated income				523,108
NET PROFIT FOR 2006				800,054
Assets	-	-	-	-
Unallocated assets	-	-	-	13,291,921
Liabilities	-	-	-	-
Unallocated liabilities	-	-	-	(586,297)

	Chickens	Feed	Chicks	Total 2005
2005				
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)
Gross profit (loss)	127,594	247,774	(37,182)	338,186
Other operating expenses	(237,735)	(90,748)	(43,046)	(371,529)
Government grant	250,315	-	-	250,315
Operating profit (loss)	140,174	157,026	(80,228)	216,972
Unallocated income	-	-	-	462,756
NET PROFIT FOR 2005	-	-	-	679,728
Assets	-	-	-	-
Unallocated assets	-	-	-	12,819,180
Liabilities	-	-	-	-
Unallocated liabilities	-	-	-	(471,923)

NOTES**to the 2006 financial statements**

Bahraini dinars

13 COST OF SALES

	Chicken	Feed	Chicks	Total 2006	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
Total	4,634,300	1,930,034	834,169	7,398,503	7,381,071

14 OTHER OPERATING EXPENSES

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

	2006	2005
Profit on sale of AFS investments	179,159	25,233
Interest income	207,169	138,384
Dividend income	109,481	106,887
Total	495,809	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:

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

NOTES**to the 2006 financial statements**

Bahraini dinars

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.

	2006	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:-

	2006	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

	2006	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).

NOTES**to the 2006 financial statements**

Bahraini dinars

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.

NOTES**to the 2006 financial statements**

Bahraini dinars

*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.

	2006	2005
Dividends to shareholders	529,131	470,338
Statutory Reserve	80,005	67,973
Remuneration of Board of Directors	54,000	40,500
	663,136	578,811

NOTES**to the 2006 financial statements**Bahraini dinars

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.