DELMON POULTRY COMPANY BSC

FINANCIAL STATEMENTS

31 DECEMBER 2007

Delmon Poultry Company BSC

FINANCIAL STATEMENTS
for the year ended 31 December 2007

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GENERAL INFORMATION
2007 financial statements

Commercial registration	:	10700 (Bahrain joint stock company)
Board of directors	:	Yousef Saleh Al-Saleh *(Chairman)* Jaffar Habib Ahmed *(Vice chairman)* Abdul-Rahman Mohamed Jamsheer Abdul Nabi Nasser Salman Abdulhussain Khalil Dawani Abdulredha Mohamed Al-Daylami Ibrahim Abdali Al-Daissi Jaffar Mohamed Ali Al-Dhaif Talal Mohamed Al-Mannai
Executive Committee	:	Yousef Saleh Al-Saleh *(Chairman)* Jaffar Habib Ahmed *(Vice chairman)* Abdul-Rahman Mohamed Jamsheer Abdul-Nabi Naser Salman
Audit Committee	:	Abdulredha Mohamed Al-Daylami *(Chairman)* Abdulhussain Khalil Dawani Ibrahim Abdali Al-Daissi Talal Mohamed AL-Manni
General Manager	:	Abdul-Karim Ismaeel Al -Alawi
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 23 February 2008
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 2007, 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 2007, 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 2007

Bahraini dinars

	Notes	2007	2006
CURRENT ASSETS			
Cash and bank		472,465	669,465
Short-term fixed deposits		2,054,832	2,830,362
Trade receivables	3	1,094,823	772,461
Accrued income and other receivables	4	176,836	143,928
Inventories	5	1,142,883	960,381
Total current assets		**4,941,839**	5,376,597
NON-CURRENT ASSETS			
Available for sale investments	6	6,486,789	5,026,718
Held to maturity investments	7	1,108,130	1,274,142
Investment in associated company	8	1,049,535	942,927
Property, plant and equipment	9	605,107	671,537
TOTAL ASSETS		**14,191,400**	13,291,921
CURRENT LIABILITIES			
Trade payables		264,142	243,412
Accrued expenses and other current liabilities	10	309,210	239,433
Total current liabilities		**573,352**	482,845
NON-CURRENT LIABILITIES			
Provision for labour law obligations		122,631	103,452
TOTAL LIABILITIES		**695,983**	586,297
EQUITY			
Share capital	11	2,927,346	2,927,346
Reserves		9,195,953	8,498,872
Retained earnings		1,372,118	1,279,406
Total equity (pages 6 & 7)		**13,495,417**	12,705,624
Total Liabilities and equity		**14,191,400**	13,291,921

The financial statements were approved by the board of directors on 23 February 2008 and signed on its behalf by:

Yousuf Saleh Al-Saleh
Chairman

Jaffar Habib Ahmed
Vice chairman

These financial statements consist of pages 4 to 26.

INCOME STATEMENT
for the year ended 31 December 2007

Bahraini dinars

	Notes	**2007**	2006
SALES	12	8,847,817	8,155,041
Discounts	12	(67,595)	(275,882)
Cost of sales	12,13	(8,500,644)	(7,398,503)
GROSS PROFIT		**279,578**	480,656
OTHER OPERATING EXPENSES	14	(349,573)	(459,851)
GOVERNMENT GRANT	15	268,129	256,141
OPERATING PROFIT		**198,134**	276,946
OTHER INCOME			
Investment income	16	442,221	495,809
Share of profit in associate	8	104,798	21,346
Other income		5,784	5,953
NET PROFIT FOR THE YEAR		**750,937**	800,054
Earning per share	17	**26 fils**	27 fils

Yousuf Saleh Al-Saleh
Chairman

Jaffar Habib Ahmed
Vice chairman

These financial statements consist of pages 4 to 26.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2007

Bahraini dinars

2007	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)	1,125,742	3,993,000	1,000,000	2,380,130	1,279,406	12,705,624
Available for sale investments								
Change in fair value of Available-for-sale investments	-	-	-	-	-	621,000	-	621,000
Transfer to income statement on sale of AFS investments	-	-	-	-	-	(59,449)	-	(59,449)
Net Change of fair value reserve for available for sale investments	-	-	-	-	-	561,551	-	561,551
Change in fair value reserve of investment in associate	-	-	-	-	-	60,436	-	60,436
Net income and expense recognised directly in equity	-	-	-	-	-	621,987	-	621,987
Net profit for the year (page 5)	-	-	-	-	-	-	750,937	750,937
Total recognised income and expense for the year	-	-	-	-	-	621,987	750,937	1,372,924
Dividend declared for 2006	-	-	-	-	-	-	(529,131)	(529,131)
Directors' remuneration paid for 2006	-	-	-	-	-	-	(54,000)	(54,000)
Transfer to statutory reserve	-	-	75,094	-	-	-	(75,094)	-
At 31 December	**2,974,048**	**(46,702)**	**1,200,836**	**3,993,000**	**1,000,000**	**3,002,117**	**1,372,118**	**13,495,417**

These financial statements consist of pages 4 to 26.

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 reserve of investment in associate	-	-	-	-	-	(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

The financial statements consist of pages 4 to 26.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2007

Bahraini dinars

	2007	2006
OPERATING ACTIVITIES		
Cash received from customers	6,756,000	6,221,659
Subsidies received from Bahrain Government	260,929	234,232
Payments to suppliers	(5,778,631)	(4,519,989)
Payments to employees	(1,308,261)	(1,102,908)
Cash flows from operating activities	**(69,963)**	832,994
INVESTING ACTIVITIES		
Purchase of equipment	(77,544)	(54,258)
Proceeds from held to maturity investments matured during the year	336,029	463,949
Proceeds from sale of available for sale investments	68,021	79,305
Purchase of available for sale investments	(1,078,668)	(480,224)
Purchase of held to maturity investments	-	(195,380)
Proceeds from sale of equipment	1,698	-
Interest and dividends received	353,726	447,010
Dividends received from associate	60,500	66,000
Cash flows from investing activities	**(336,238)**	326,402
FINANCING ACTIVITIES		
Dividends paid	(512,329)	(459,239)
Directors' remuneration paid	(54,000)	(40,500)
Cash flows from financing activities	**(566,329)**	(499,739)
Net (decrease) / increased in cash and cash equivalents	**(972,530)**	659,657
CASH AND CASH EQUIVALENTS at beginning of the year	3,499,827	2,840,170
CASH AND CASH EQUIVALENTS at end of the year	**2,527,297**	3,499,827
Comprising:		
Cash and bank	472,465	669,465
Short-term fixed deposits	2,054,832	2,830,362
	2,527,297	3,499,827

These financial statements consist of pages 4 to 26.

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.

In preparing these financial statements the Company has adopted IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Presentation of Financial Statements – Capital Disclosures*. The adoption of IFRS 7 and amendments to IAS 1 impacted the type and amount of disclosures made in these financial statements, but has no impact on the reported profits or financial position of the Company. In accordance with the transitional requirements of the standards, the Company has provided the full comparative information.

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.

j) Trade receivables

Trade receivables are stated at cost, being fair value 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.

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.

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	**2007**	2006
Balance at 31 December	1,121,537	790,706
Provision for impairment	(26,714)	(18,245)
Balance at 31 December	**1,094,823**	772,461

4 ACCRUED INCOME AND OTHER RECEIVABLES	**2007**	2006
Accrued income	100,094	85,397
Advances to suppliers	149,334	149,334
Prepaid expenses	9,790	8,107
Others	36,670	11,932
Provision for impairment	(119,052)	(110,842)
	176,836	143,928

NOTES
to the 2007 financial statements Bahraini dinars

5 INVENTORIES

	2007	2006
Finished goods		
- Feed	14,635	17,302
- Frozen/chilled chicken	237,789	26,062
Hatching eggs - hatchery	53,885	46,201
Raw material and packing materials	454,344	478,416
Spare parts for plant and machinery	415,307	392,824
	1,175,960	960,805
Provision for impairment	(33,077)	(424)
	1,142,883	960,381

6 AVAILABLE-FOR-SALE INVESTMENTS

Classification:	2007	2006
Quoted equity securities	3,388,965	2,752,760
Unquoted equity securities	217,136	196,382
Managed funds	2,880,688	2,077,576
	6,486,789	5,026,718
Movement:		
At 1 January	5,026,718	4,919,852
Purchase of AFS investments	1,078,668	480,224
Sale of AFS investments	(180,148)	(469,948)
Increase in fair value reserve	561,551	96,590
At 31 December	**6,486,789**	5,026,718

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

	2007	2006
Government Bonds	481,130	640,262
Commercial Companies Bonds	627,000	633,880
	1,108,130	1,274,142

8 INVESTMENT IN ASSOCIATED COMPANY

	2007	2006
At 1 January	942,927	1,015,020
profit for the year	104,798	21,346
Fair value reserve	60,436	(27,439)
Dividends received	(60,500)	(66,000)
Other adjustment	1,874	-
At 31 December	**1,049,535**	942,927

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:

8 INVESTMENT IN ASSOCIATED COMPANY (continued)

SUMMARY OF FINANCIAL INFORMATION OF ASSOCIATE	**2007**	2006
Current assets	5,935,466	5,817,300
Non-current assets	218,165	290,471
Total assets	**6,153,631**	6,107,771
Current liabilities	1,901,183	2,286,065
Total liabilities	**1,901,183**	2,286,065
Revenues	22,848,278	21,405,823
Expenses	22,387,393	(21,133,996)
Net profit	**460,885**	271,827

9 PROPERTY, PLANT AND EQUIPMENT	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	**2007 Total**	2006 Total
Cost						
At beginning of year	3,443,667	4,245,513	1,611,260	4,426	9,304,866	9,242,574
Additions	-	38,630	39,770	230	78,630	63,112
Disposals	-	-	(54,425)	-	(54,425)	(820)
Transfers	-	-	2,790	(2,790)	-	-
At 31 December	**3,443,667**	**4,284,143**	**1,599,395**	**1,866**	**9,329,071**	9,304,866
Depreciation						
At beginning of year	3,151,101	4,013,369	1,468,859	-	8,633,329	8,460,164
Charge for the year	37,730	55,774	51,556	-	145,060	173,165
Disposals	-	-	(54,425)	-	(54,425)	-
At 31 December	**3,188,831**	**4,069,143**	**1,465,990**	**-**	**8,723,964**	8,633,329
Net carrying value						
At 31 December 2007	**254,836**	**215,000**	**133,405**	**1,866**	**605,107**	671,537
At 31 December 2006	292,566	232,144	142,401	4,426	671,537	

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	**2007**	2006
Unclaimed declared dividends (1986-2005)	129,905	113,104
Payments received in advance from farmers	48,884	19,252
Accrued expenses	22,894	19,100
Miscellaneous payables	107,527	87,977
	309,210	239,433

NOTES
to the 2007 financial statements Bahraini dinars

11 SHARE CAPITAL	**2007**	2006
Authorised: BD 10 million		
Issued and fully paid: 29,740,480 shares of 100 fils each	2,974,048	2,974,048
344,340 treasury shares	(46,702)	(46,702)
Net shares in public issue	**2,927,346**	2,927,346

Performance per share		
Earnings per 100 fils share	26 fils	27 fils
Net asset value per 100 fils share	459 fils	432 fils
Stock Exchange price per 100 fils share at 31 December	305 fils	308 fils
Stock Exchange price to earnings ratio	12:1	11:1
Total market capitalisation at 31 December	8,965,823	9,054,011

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 2007:

Performance per share	**Nationality**	**No. of shares**	**% holding**
The Pension Fund Commission Military & Civil	Bahraini	5,214,360	17.53
General Poultry Company	Bahraini	4,358,460	14.65
General Trading & Food Processing Company	Bahraini	2,908,920	9.78
Abdulhameed Zainl Mohammed	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	**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*	**Number of Shares**	**Number of shareholders**	**% of total outstanding shares**
Less than 1%	9,603,097	1,552	32.29
1% up to less than 5%	5,736,525	11	19.29
5% up to less than 10%	4,828,038	2	16.23
10% up to less than 20%	9,572,820	2	32.19
	29,740,480	1,567	100

*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.

	Chickens	**Feed**	**Chicks**	**Total 2007**
2007				
Sales	5,274,418	2,540,441	1,032,958	8,847,817
Discounts	(33,864)	(33,731)	-	(67,595)
Cost of sales	(5,038,314)	(2,515,591)	(946,739)	(8,500,644)
Gross profit (loss)	**202,240**	**(8,881)**	**86,219**	**279,578**
Other operating expenses	(207,191)	(103,449)	(38,933)	(349,573)
Government grant	268,129	-	-	268,129
Operating profit (loss)	**263,178**	**(112,330)**	**47,286**	**198,134**
Unallocated income	-	-	-	552,803
NET PROFIT FOR 2007	-	-	-	**750,937**
Assets	-	-	-	-
Unallocated assets	-	-	-	14,191,400
Liabilities	-	-	-	-
Unallocated liabilities	-	-	-	(695,982)

	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)

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13 COST OF SALES

	Chicken	Feed	Chicks	**Total 2007**	Total 2006
Raw materials	3,962,992	2,174,229	768,593	6,905,814	5,818,840
Staff cost	754,763	232,376	114,308	1,101,447	916,221
Depreciation	82,087	11,809	37,213	131,109	148,282
Other	238,472	97,177	26,625	362,274	515,160
Total	**5,038,314**	**2,515,591**	**946,739**	**8,500,644**	7,398,503

14 OTHER OPERATING EXPENSES

	2007	2006
Staff cost	215,167	191,769
Depreciation	13,949	24,883
Provision for assets impairment	-	50,605
Other	120,457	192,594
Total	**349,573**	459,851

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

	2007	2006
Profit on sale of AFS investments	84,262	179,159
Interest income	221,831	207,169
Dividend income	136,128	109,481
	442,221	495,809

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:

	2007	2006
Profit for the year	750,937	800,054
Weighted average number of equity shares	29,396,140	29,396,140
Basic earnings per share	**26 fils**	27 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.

	2007	2006
Amounts due from related parties	167,273	132,163
Sales to related parties	576,374	668,555
Purchases from related parties	515,263	408,454

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:-

	2007	2006
Board remuneration	54,000	40,500
Board attendance fees	12,500	15,500
Salaries and other benefits	72,486	38,573

19 CONTINGENT LIABILITIES

	2007	2006
Bank guarantees	27,000	27,000
Letters of credit	-	297,453

20 Employee benefits

The company employs 184 Bahrainis and 4 expatriates as at 31 December 2007 (2006: 181 Bahrainis and 4 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 2007 amounted to BD 109,756 (2006: BD 75,561).

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 2007 in respect of expatriate employees was BD 16,531 (2006: BD 12,309).

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments
Financial instruments include financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, accounts receivable, held-to-maturity investments and available-for-sale investments. Financial liabilities of the Company include trade payables and certain other current liabilities.

The Company has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established certain executive management committees, which assist the Board of Directors in effectively discharging their responsibilities for developing and monitoring the Company's risk management policies.

The Company audit committee oversees how management monitors compliance with the Company's risk management procedures and review the adequacy of the risk management practices in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Credit risk
Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company is exposed to credit risk primarily on its cash and cash equivalents, accounts receivable and investment in managed funds, and debt instruments.

Company's credit risk on cash and cash equivalents is limited as these are placed with banks in Bahrain having good credit ratings.

About 53% of the sales are received in cash, the balance being made via through credit. The Company manages its credit risk on accounts receivables by restricting its credit sales only to approved list endorsed General Manager and ensuring that the sales to related parties are as per the internal policies established for transactions with the related parties. Since most of sales of the Company is within Bahrain there is no significant geographical or customer type concentration of credit risk involved in accounts receivable balances. The Company perceives that the account receivable balances are of good credit quality as these are primarily receivable from: a) vendors where the Company has net payable balances, b) customers with good credit standing, and c) related parties with good financial position.

21 Financial instruments and risk management (continued)

Credit risk (continued)

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

The Company manages credit risk on its investments by ensuring that investments are made only after careful credit evaluation and due diligence of the issuer of the security. The Company limits its exposure to credit risk by mainly investing in debt instruments, structured notes and managed funds managed or promoted by established bank or financial institutions. The Company has an executive committee comprising of four board members, which is responsible for all investment related decisions. Before investing in any new securities the proposal is first placed with the executive committee for its approval. executive committee approves the proposal after considering all merits and demerits of the proposal.

Exposure to credit risk

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

	2007	2006
Cash and bank	472,465	669,465
Short-term fixed deposits	2,054,832	2,830,362
Trade receiables	1,094,823	772,461
Available-for-sale investments	6,486,789	5,026,718
Held to maturity investments	1,108,130	1,274,142
	11,217,039	10,573,148

The maximum exposure to credit risk for financial assets at the reporting date based on geographical concentration was:

	2007	2006
Bahrain	11,097,057	10,474,937
Other Middle East Countries	119,982	98,211
	11,217,039	10,573,148

The ageing of accounts receivables at the reporting date was:

	2007		2006	
	Gross	**Impairment**	Gross	Impairment
Not past due	661,333	-	374,360	-
Past due 0-30 days	268,780	-	219,839	-
Past due 31-120 days	149,377	-	153,890	-
More than one year	42,047	26,714	42,617	18,245
	1,121,537	26,714	790,706	18,245

Past due and impaired accounts receivables of the carrying value of BD 460,204 (2006: BD 416,346) carry an impairment provision of BD 26,714 (2006: 18,245), which represents incurred losses determined on a specific loss basis.

21 Financial instruments and risk management (continued)

Liquidity risk
Liquidity risk, also referred to as funding risk, is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company ensures that a significant amount of the funds are invested in cash and cash equivalents, which are readily available to meet liquidity requirements.

The following are the contractual maturities of financial liabilities:

2007

	Carrying amount	**6 months or less**	**6-12 mths**	**1-2 years**	**More than 2 years**
Financial liabilities					
Trade payables	264,142	264,142	-	-	-
Accrued expenses and other current liabilities	309,210	309,210	-	-	-
	573,352	**573,352**	**-**	**-**	**-**

2006

	Carrying amount	6 months or less	6-12 mths	1-2 years	More than 2 years
Financial liabilities					
Trade payables	243,412	243,412	-	-	-
Accrued expenses and other current liabilities	239,433	239,433	-	-	-
	482,845	482,845	**-**	**-**	**-**

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

21 Financial instruments and risk management (continued)

Market risk (continued)

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

The Company's interest rate risk is limited to its interest bearing short-term deposits and investment in debt instruments. The Company's short-term bank deposits are at fixed interest rates and mature within 90 days. The Company's investment in debt instruments is at variable interest rates. The Company earned an effective interest rate of 4.5 % p.a. for the year ended 31 December 2007 (2006: 4.46%).

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2007	2006
Fixed rate instruments		
Short-term bank deposits	2,054,832	2,830,362
Variable rate instruments		
Investment in debt instrument	1,108,130	1,274,142
	3,162,962	4,104,504

Change in market interest rate will not have a significant impact on the carrying value of the bank deposits due to short term characteristics of these deposits. Similarly, the impact of change in market interest rates on the cash flows of variable rate investment security is not significant.

Foreign exchange risk
Foreign exchange risk is the risk that the Company's earning will be affected as a result of fluctuations in currency exchange rates.

The Company has exposure to foreign exchange risk on its purchases invoiced in foreign currency, on cash sales in foreign currency and on its certain investment in US dollar. Predominantl, the purchase of product is from local suppliers. The majority of the foreign currency purchases are in US dollars. The US dollar is pegged against the Bahraini dinar and therefore the company is not exposed to any significant risk.

The Company's exposure to significant foreign currency risk at the reporting date was:

				2007
	SAR	**UAE**	**USD**	**EURO**
Trade receivables	17,234	-	151,636	15,815
Available-for-sale investments	-	-	-	-
Held to maturity investments	-	-	2,878,867	-
Trade payables	(131,739)	(1,833)	(34,617)	(155)
	(114,505)	**(1,833)**	**2,995,886**	**15,660**

21 Financial instruments and risk management (continued)

Market risk (continued)

2006

	SAR	UAE	USD	EURO
Trade receivables	4,203	-	-	3,388
Available-for-sale investments	-	-	-	-
Held to maturity investments	-	-	2,022,203	-
Trade payables	(14,246)	-	(152,189)	-
	(10,043)	-	1,870,014	3,388

The Company does not perceive that fluctuations in foreign exchange rates will have any significant impact on the income or equity because the exposure to currencies other than US dollar, which is pegged to Bahraini dinar is not significant.

Other market price risk

The primary goal of the Company's investment strategy is to ensure risk free returns and invest excess surplus fund available with the Company in risk free securities. Market price risk arises from available-for-sale investments held by the Company. The Company's executive committee monitors its investment portfolio considering prevalent market factors. Significant investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the executive Committee.

Sensitivity analysis – equity price risk

All of the Company's quoted equity investments are listed on Bahrain Stock Exchange (BSE). A two percent increase in BSE at the reporting date would have increased equity by BD 67,779(2006: an increase of BD 55,055); an equal change in the opposite direction would have decreased equity by BD 67,779(2006: a decrease of BD 55,055). The analysis is performed on the same basis for 2006.

Capital Management

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

The Board seeks to maintain a balance between the higher returns and growth that might be possible by a sound capital position. The Company's target is to achieve a reasonable return on shareholders' equity. In 2007 the return was 5,6 % percent (2006: 6,3 % percent).There were no significant changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements

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21 Financial instruments and risk management (continued)

Fair values
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.

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 financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

					2007
	Loans and receivables	**Available-for-sale and HTM**	**Other amortised cost**	**Total carrying amount**	**Fair Value**
Cash and bank	472,465	-	-	472,465	472,465
Short-term fixed deposits	2,054,832	-	-	2,054,832	2,054,832
Trade receivables	1,094,823	-	-	1,094,823	1,094,823
Accrued income and other receivables	176,836	-	-	176,836	176,836
Available-for-sale investments	-	6,486,789	-	6,486,789	6,486,789
Held to maturity investments	-	1,108,130	-	1,108,130	1,108,130
	3,798,956	**7,594,919**	**-**	**11,393,875**	**11,393,875**
Trade payables	-	-	264,142	264,142	264,142
Accrued expenses and other current liabilities	-	-	309,210	309,210	309,210
	-	**-**	**573,352**	**573,352**	**573,352**

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2006

	Loans and receivables	Available-for-sale and HTM	Other amortised cost	Total carrying amount	Fair Value
Cash and bank	669,465	-	-	669,465	669,465
Short-term fixed deposits	2,830,362	-	-	2,830,362	2,830,362
Trade receivables	772,461	-	-	772,461	772,461
Accrued income and other receivables	143,928	-	-	143,928	143,928
Available-for-sale investments	-	5,026,718	-	5,026,718	5,026,718
Held to maturity investments	-	1,274,142	-	1,274,142	1,274,142
	4,416,216	6,300,860	-	10,717,076	10,717,076
Trade payables	-	-	243,412	243,412	243,412
Accrued expenses and other current liabilities	-	-	239,433	239,433	239,433
	-	-	482,845	482,845	482,845

Available-for-sale investments are recorded at fair values, except for investments having carrying value of 2007 BD 834,982 (2006: BD 582,341), which are carried at cost.

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.

	2007	2006
Dividends to shareholders	-	529,131
Statutory Reserve	75,094	80,005
Remuneration of Board of Directors	-	54,000
	75,094	663,136

24 NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

- IAS 1 – Presentation of financial statements
- IFRS 8 – Operating segments

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.