DELMON POULTRY COMPANY BSC

FINANCIAL STATEMENTS

31 DECEMBER 2008

Delmon Poultry Company BSC

FINANCIAL STATEMENTS
for the year ended 31 December 2008

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GENERAL INFORMATION
2008 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 Abdulredha Mohamed Al-Daylami Abdulhussain Khalil Dawani 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 18 February 2009
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 2008, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008, 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 2008

Bahraini dinars

	Notes	**2008**	2007
CURRENT ASSETS			
Cash and bank		726,258	472,465
Short-term fixed deposits		1,451,447	2,054,832
Trade receivables	3	1,164,246	1,094,823
Accrued income and other receivables	4	381,352	176,836
Inventories	5	1,017,103	1,142,883
Total current assets		**4,740,406**	4,941,839
NON-CURRENT ASSETS			
Available for sale investments	6	5,958,523	6,486,789
Held to maturity investments	7	919,630	1,108,130
Investment in associated company	8	1,409,562	1,049,535
Property, plant and equipment	9	522,958	605,107
TOTAL ASSETS		**13,551,079**	14,191,400
CURRENT LIABILITIES			
Trade payables		301,402	264,142
Accrued expenses and other current liabilities	10	317,589	309,210
Total current liabilities		**618,991**	573,352
NON-CURRENT LIABILITIES			
Provision for labour law obligations		124,778	122,631
TOTAL LIABILITIES		**743,769**	695,983
EQUITY			
Share capital	11	2,924,528	2,927,346
Reserves		8,318,153	9,195,953
Retained earnings		1,564,629	1,372,118
Total equity (pages 5 & 6)		**12,807,310**	13,495,417
Total Liabilities and equity		**13,551,079**	14,191,400

The financial statements were approved by the board of directors on 18 February 2009 and signed on its behalf by:

Yousuf Saleh Al-Saleh
Chairman

Jaffar Habib Ahmed
Vice chairman

These financial statements consist of pages 3 to 27.

INCOME STATEMENT
for the year ended 31 December 2008 Bahraini dinars

	Notes	**2008**	2007
SALES	12	11,044,958	8,847,817
Discounts	12	(25,018)	(67,595)
Cost of sales	12,13	(11,131,478)	(8,500,644)
GROSS (LOSS) PROFIT		**(111,538)**	279,578
OTHER OPERATING EXPENSES	14	(350,814)	(349,573)
GOVERNMENT GRANT	15	1,141,629	268,129
OPERATING PROFIT		**679,277**	198,134
OTHER INCOME			
Investment income	16	246,505	442,221
Share of profit in associate	8	191,347	104,798
Provision for impairment of AFS investments	6	(372,325)	-
Other income		115,780	5,784
NET PROFIT FOR THE YEAR		**860,584**	750,937
Earning per share	17	**29 fils**	26 fils

Yousuf Saleh Al-Saleh
Chairman

Jaffar Habib Ahmed
Vice chairman

These financial statements consist of pages 3 to 27.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2008 Bahraini dinars

2008	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)	1,200,836	3,993,000	1,000,000	3,002,117	1,372,118	13,495,417
Change in fair value of Available-for-sale investments	-	-	-	-	-	(1,199,415)	-	(1,199,415)
Impairment of AFS investments transferred to income statement	-	-	-	-	-	372,325		372,325
Change in fair value reserve of investment in associate	-	-	-	-	-	(136,768)	-	(136,768)
Net income and expense recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**(963,858)**	**-**	**(963,858)**
Net profit for the year (page 4)	-	-	-	-	-	-	860,584	860,584
Total recognised income and expense for the year	**-**	**-**	**-**	**-**	**-**	**(963,858)**	**860,584**	**(103,274)**
Dividend declared for 2007	-	-	-	-	-	-	(529,131)	(529,131)
Directors' remuneration paid for 2007	-	-	-	-	-	-	(52,884)	(52,884)
Purchase of treasury shares	-	(2,818)	-	-	-	-	-	(2,818)
Transfer to statutory reserve	-	-	86,058	-	-	-	(86,058)	-
At 31 December	**2,974,048**	**(49,520)**	**1,286,894**	3,993,000	1,000,000	**2,038,259**	**1,564,629**	**12,807,310**

These financial statements consist of pages 3 to 27.

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
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)
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

The financial statements consist of pages 3 to 27.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2008 Bahraini dinars

	2008	2007
OPERATING ACTIVITIES		
Cash received from customers	9,156,717	6,756,000
Subsidies received from Bahrain Government	1,141,319	260,929
Payments to suppliers	(8,118,444)	(5,778,631)
Payments to employees and others	(1,361,659)	(1,308,261)
Cash flows from operating activities	**817,933**	(69,963)
INVESTING ACTIVITIES		
Purchase of equipment	(23,282)	(77,544)
Proceeds from held to maturity investments matured during the year	188,500	336,029
Proceeds from sale of available for sale investments	208,105	68,021
Purchase of available for sale investments	(879,041)	(1,078,668)
Purchase of additional shares in associate	(401,280)	-
Proceeds from sale of equipment	-	1,698
Interest and dividends received	307,902	353,726
Dividends received from associate	95,832	60,500
Cash flows from investing activities	**(503,264)**	(336,238)
FINANCING ACTIVITIES		
Dividends paid	(608,559)	(512,329)
Directors' remuneration paid	(52,884)	(54,000)
Purchase of treasury shares	(2,818)	-
Cash flows from financing activities	**(664,261)**	(566,329)
Net (decrease) in cash and cash equivalents	**(349,592)**	(972,530)
CASH AND CASH EQUIVALENTS at beginning of the year	2,527,297	3,499,827
CASH AND CASH EQUIVALENTS at end of the year	**2,177,705**	2,527,297
Comprising:		
Cash and bank	726,258	472,465
Short-term fixed deposits	1,451,447	2,054,832
	2,177,705	2,527,297

These financial statements consist of pages 3 to 27.

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) Investment securities

a. Classification

Held-to-maturity securities are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated at fair value through income statement or available-for-sale.

Available-for-sale securities are non-derivative investments that are not designated as another category of financial assets. These include investments in certain quoted and unquoted equity securities and certain managed funds.

b. Recognition and derecognition

Investment securities are recognised when the Company becomes a party to the contractual provisions of the instrument. Investment securities are derecognised if the Company's contractual rights from the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

All "regular way" purchases and sales of financial assets are recognised on trade date, i.e. the date that the Company contracts to purchase or deliver the asset. Regular way purchases or sale are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2 Significant accounting policies (continued)

c. Measurement

Available-for-sale securities (AFS securities) are initially measured at cost, being their fair value, including transaction costs. Unquoted AFS equity securities whose fair value cannot be reliably measured are carried at cost. All other AFS securities are carried at fair value. Unrealised gains and losses arising from changes in the fair values of AFS securities are recognised in a reserve as a separate component of equity. In the event of sale, disposal, collection or impairment, the cumulative gains and losses recognised in equity are transferred to the income statement.

Held-to-maturity securities are initially measured at their cost, being their fair value including transaction costs. They are subsequently carried at amortised cost using the effective interest method.

d. Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the investment securities is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

e. Fair value measurement principles

The determination of fair values of investment securities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

f. Impairment of investment securities

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale equity securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed through the income statement.

Impairment losses on held-to-maturity securities carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in income statement and reflected in an allowance against the investment. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

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.

2 Significant accounting policies (continued)

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

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

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

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

	2008	2007
Balance at 31 December	1,209,453	1,121,537
Provision for impairment	(45,207)	(26,714)
Balance at 31 December	**1,164,246**	1,094,823

4 ACCRUED INCOME AND OTHER RECEIVABLES

	2008	2007
Accrued income	359,744	100,094
Advances to suppliers	31,070	149,334
Prepaid expenses	9,910	9,790
Others	11,698	36,670
Provision for impairment	(31,070)	(119,052)
	381,352	176,836

NOTES
to the 2008 financial statements Bahraini dinars

5 INVENTORIES

	2008	2007
Finished goods		
- Feed	31,452	14,635
- Frozen/chilled chicken	17,657	237,789
Hatching eggs - hatchery	69,146	53,885
Raw material and packing materials	513,714	454,344
Spare parts for plant and machinery	407,880	415,307
	1,039,849	1,175,960
Provision for impairment	(22,746)	(33,077)
	1,017,103	1,142,883

6 AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
Classification:		
Quoted equity securities	2,749,362	3,388,965
Unquoted equity securities	204,514	217,136
Managed funds	3,004,647	2,880,688
	5,958,523	6,486,789
Movement:		
At 1 January	6,486,789	5,026,718
Purchase of AFS investments	879,254	1,078,668
Sale of AFS investments	(208,105)	(180,148)
(Decrease)/Increase in fair value reserve	(1,199,415)	561,551
At 31 December	**5,958,523**	6,486,789

Impairment loss provision for AFS investments has been recognized for BD 372,325 in the current year (2007: Nil) and has been transferred from fair value reserve to income statement.

7 HELD-TO-MATURITY INVESTMENTS

	2008	2007
Government Bonds	481,130	481,130
Commercial Companies Bonds	438,500	627,000
	919,630	1,108,130

8 INVESTMENT IN ASSOCIATED COMPANY

	Carrying amount	Goodwill	2008	2007
At 1 January	1,049,535	-	1,049,535	942,927
profit for the year	191,347	-	191,347	104,798
Fair value reserve	(136,768)	-	(136,768)	60,436
Purchase of additional shares	340,196	61,084	401,280	-
Dividends received	(95,832)	-	(95,832)	(60,500)
Other adjustment	-	-	-	1,874
At 31 December	**1,348,478**	**61,084**	**1,409,562**	1,049,535

The company owns 33% share in Bahrain Livestock Company BSC (closed).In applying the equity method; the last Management Accounts as of 31 December 2008 have been used, which included the following data:

NOTES
to the 2008 financial statements Bahraini dinars

8 INVESTMENT IN ASSOCIATED COMPANY (continued)

SUMMARY OF FINANCIAL INFORMATION OF ASSOCIATE	**2008**	2007
Current assets	9,159,926	5,935,466
Non-current assets	262,386	218,165
Total assets	**9,422,312**	6,153,631
Current liabilities	5,336,014	1,901,183
Total liabilities	**5,336,014**	1,901,183
Revenues	35,397,641	22,848,278
Expenses	34,788,386	22,387,393
Net profit	**609,255**	460,885

9 PROPERTY, PLANT AND EQUIPMENT	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	**2008 Total**	2007 Total
Cost						
At beginning of year	3,443,667	4,284,143	1,599,395	1,866	9,329,071	9,304,866
Additions	2,400	35,050	17,611	3,570	58,631	78,630
Disposals	-	-	-	(393)	(393)	(54,425)
At 31 December	**3,446,067**	**4,319,193**	**1,617,006**	**5,043**	**9,387,309**	9,329,071
Depreciation						
At beginning of year	3,188,831	4,069,143	1,465,990	-	8,723,964	8,633,329
Charge for the year	37,851	58,709	43,827	-	140,387	145,060
Disposals	-	-	-	-	-	(54,425)
At 31 December	**3,226,682**	**4,127,852**	**1,509,817**	**-**	**8,864,351**	8,723,964
Net carrying value						
At 31 December 2008	**219,385**	**191,341**	**107,189**	**5,043**	**522,958**	605,107
At 31 December 2007	254,836	215,000	133,405	1,866	605,107	

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	**2008**	2007
Unclaimed declared dividends (1986-2007)	136,006	129,905
Payments received in advance from farmers	43,972	48,884
Accrued expenses	26,620	22,894
Miscellaneous payables	110,991	107,527
	317,589	309,210

NOTES
to the 2008 financial statements Bahraini dinars

11 SHARE CAPITAL

	2008	2007
Authorised: BD 10 million		
Issued and fully paid: 29,740,480 shares of 100 fils each	2,974,048	2,974,048
354,340 treasury shares (2007: 344,340)	(49,520)	(46,702)
Net shares in public issue	**2,924,528**	2,927,346

Performance per share

Earnings per 100 fils share	29 fils	26 fils
Net asset value per 100 fils share	436 fils	459 fils
Stock Exchange price per 100 fils share at 31 December	241 fils	305 fils
Stock Exchange price to earnings ratio	8:1	12:1
Total market capitalisation at 31 December	7,082,060	8,965,823

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 2008:

	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	1,919,268	6.45
Fuad Ebrahim Al Mutawa	Bahraini	1,746,181	5.87

(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%	9,307,567	1,546	31.30
1% up to less than 5%	4,285,724	10	14.41
5% up to less than 10%	6,574,369	3	22.10
10% up to less than 20%	9,572,820	2	32.19
	29,740,480	1,561	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, net of impairment provision 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 expenses.

	Chickens	**Feed**	**Chicks**	**Total 2008**
2008				
Sales	6,060,537	3,829,182	1,155,239	11,044,958
Discounts	(20,430)	(4,588)	-	(25,018)
Cost of sales	(5,766,524)	(4,250,602)	(1,114,352)	(11,131,478)
Gross profit (loss)	**273,583**	**(426,008)**	**40,887**	**(111,538)**
Other operating expenses	(181,735)	(133,960)	(35,119)	(350,814)
Government grant	605,509	536,120	-	1,141,629
Operating profit (loss)	**697,357**	(23,848)	**5,768**	**679,277**
Unallocated income				553,632
Unallocated expenses				(372,325)
NET PROFIT FOR YEAR				**860,584**
Assets				
Unallocated assets				13,551,079
Liabilities				
Unallocated liabilities				(743,769)

	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 YEAR				750,937
Assets				
Unallocated assets				14,191,400
Liabilities				
Unallocated liabilities				(695,983)

13 COST OF SALES

	Chicken	Feed	Chicks	**Total 2008**	Total 2007
Raw materials	4,910,165	3,863,306	914,197	9,687,668	6,905,814
Staff cost	802,891	250,430	123,652	1,176,973	1,101,447
Depreciation	81,399	7,775	37,192	126,366	131,109
Other	259,811	129,091	39,311	428,213	362,274
Less: Farmers' subsidy *	(287,742)	-	-	(287,742)	-
Total	**5,766,524**	**4,250,602**	**1,114,352**	**11,131,478**	8,500,644

* Government of Bahrain has decided to subsidise farmers' production of broiler chickens for 100 fils per KG for chicks received by the company with effect from 15 July 2008.

14 OTHER OPERATING EXPENSES

	2008	2007
Staff cost	212,890	215,167
Depreciation	14,022	13,949
Other	123,902	120,457
Total	**350,814**	349,573

15 GOVERNMENT GRANT

During the year, Government's subsidy increased from 50 fils to 100 fils locally sold chicken in order to fix sale price. In addition, the Government has agreed to subsidise broiler feeds sold to farmers for BD 30 per ton retrospectively from 1 January 2008.

The following table shows the details of Government subsidy:

Subsidy type	**2008**	2007
Subsidy for sales of chickens	605,510	268,129
Subsidy for sales of feeds	536,119	-
Total Government subsidy	**1,141,629**	268,129

16 INVESTMENT INCOME

	2008	2007
Profit on sale of AFS investments	3,295	84,262
Interest income	94,565	221,831
Dividend income	148,645	136,128
	246,505	442,221

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 2008 as follows:

	2008	2007
Profit for the year	860,584	750,937
Weighted average number of equity shares	29,386,140	29,396,140
Basic earnings per share	**29 fils**	26 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.

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.

	2008	2007
Amounts due from related parties	199,954	167,273
Sales to related parties	1,503,802	576,374
Purchases from related parties	605,423	515,263

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:-

	2008	2007
Board remuneration	52,884	54,000
Board attendance fees	12,000	11,750
Salaries and other benefits	54,665	72,486

19 CONTINGENT LIABILITIES

	2008	2007
Bank guarantees	27,000	27,000

20 Employee benefits

The company employs 184 Bahrainis and 4 expatriates as at 31 December 2008 (2007: 184 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 2008 amounted to BD 126,938 (2007: BD 109,756).

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 2008 in respect of expatriate employees was BD 22,428 (2007: BD 16,531).

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.

21 Financial instruments and risk management (continued)

Credit risk (continued)

About 43% 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.

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 reorganization, 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:

	2008	2007
Cash and bank	726,258	472,465
Short-term fixed deposits	1,451,447	2,054,832
Trade receiables	1,164,246	1,094,823
Available-for-sale investments	5,958,523	6,486,789
Held to maturity investments	919,630	1,108,130
	10,220,104	11,217,039

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

	2008	2007
Bahrain	9,738,974	11,097,057
Other Middle East Countries	481,130	119,982
	10,220,104	11,217,039

21 Financial instruments and risk management (continued)

Credit risk (continued)

The ageing of accounts receivables at the reporting date was:

	2008		2007	
	Gross	**Impairment**	Gross	Impairment
Not past due	726,704	-	661,333	-
Past due 0-30 days	359,062	-	268,780	-
Past due 31- one year	75,596	-	149,377	-
More than one year	48,091	45,207	42,047	26,714
	1,209,453	**45,207**	1,121,537	26,714

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:

2008	**Carrying amount**	**6 months or less**	**6-12 mths**	**1-2 years**	**More than 2 years**
Financial liabilities					
Trade payables	301,402	301,402	-	-	-
Accrued expenses and other current liabilities	317,589	317,589	-	-	-
	618,991	**618,991**	**-**	**-**	**-**

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	-	-	-

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 % p.a. for the year ended 31 December 2008 (2007: 4.5%).

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

	2008	2007
Fixed rate instruments		
Short-term bank deposits	1,451,447	2,054,832
Variable rate instruments		
Investment in debt instrument	919,630	1,108,130
	2,371,077	3,162,962

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. Predominantly, 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:

2008	**SAR**	**UAE**	**OMR**	**USD**	**EURO**
Trade receivables	2,523	1,194	-	178,791	3,635
Available-for-sale investments	-	-	-	3,138,153	55,800
Held to maturity investments	-	-	481,130	188,500	-
Trade payables	(85,737)	-	-	(11,883)	(4,002)
	(83,214)	**1,194**	**481,130**	**3,493,561**	**55,433**

21 Financial instruments and risk management (continued)

Market risk (continued)

2007	SAR	UAE	OMR	USD	EURO
Trade receivables	17,234	-	-	151,636	15,815
Available-for-sale investments	-	-	-	2,880,687	-
Held to maturity investments	-	-	481,130	377,700	-
Trade payables	(131,739)	(1,833)	-	(34,617)	(155)
	(114,505)	(1,833)	481,130	3,374,706	15,660

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 55,279 (2007: an increase of BD 67,779); an equal change in the opposite direction would have decreased equity by BD 55,279(2007: a decrease of BD 67,779). The analysis is performed on the same basis for 2007.

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 2008 the return was 6.9 % percent (2007: 5.6 % 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:

2008	**Loans and receivables**	**Available-for-sale**	**Other amortised cost**	**Total carrying amount**	**Fair Value**
Cash and bank	726,258	-	-	726,258	726,258
Short-term fixed deposits	1,451,447	-	-	1,451,447	1,451,447
Trade receivables	1,164,246	-	-	1,164,246	1,164,246
Accrued income and other receivables	381,352	-	-	381,352	381,352
Available-for-sale investments	-	5,958,523	-	5,958,523	5,958,523
Held to maturity investments	919,630	-	-	919,630	919,630
			-		
	4,642,933	**5,958,523**	-	**10,601,456**	**10,601,456**
Trade payables	-	-	301,402	301,402	301,402
Accrued expenses and other current liabilities	-	-	317,589	317,589	317,589
	-	**-**	**618,991**	**618,991**	**618,991**

2007	Loans and receivables	Available-for-sale	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
	4,907,086	6,486,789	-	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

Available-for-sale investments are recorded at fair values, except for investments having carrying value of 2008 BD 963,594 (2007: BD 834,982), 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

Impairment of available-for-sale investments:
The Company determines that available-for-sale equity securities 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. In case of equity quoted securities in active markets, the company consider decline in value below cost of 20% or decline that persists for more than 9 months as an indicator of impairment. At 31 December 2008, the company had decline in value of certain AFS securities below than cost by BD 827.090 (2007: nil) which has been assessed to be impaired in accordance with company's policy.

22 Critical accounting estimates and judgments in applying accounting policies (continued)

Impairment of inventories:
The Company reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have been impaired. The Company identifies the inventories, which have been impaired based on the age of the inventory and their estimate of the future demand for various items in the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience and prevalent market conditions.

Impairment of trade receivables
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.

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.

	2008	2007
Dividends to shareholders	528,951	529,131
Statutory Reserve	86,058	75,094
Remuneration of Board of Directors	62,757	52,884
	677,766	657,109

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 Company:

- IAS 1 - Presentation of Financial Statements (effective for financial periods beginning on or after 1 January 2009)
- IFRS 8 - Operating Segments (effective for financial periods beginning on or after 1 January 2009)
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments Arising on Liquidation (effective for financial periods beginning on or after 1 July 2009)

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

25 SUBSEQUENT EVENTS

Subsequent to 31 December 2008, due to further deterioration in the financial markets, the Company incurred additional fair value decline in its AFS investments by BD 353,103 as at 18 February 2009.

26 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.