DELMON POULTRY COMPANY BSC

FINANCIAL STATEMENTS

31 DECEMBER 2009

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GENERAL INFORMATION
2009 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	:	KPMG
Share registrar	:	Bahrain Share Registration Company

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS 21 February 2010
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 statement of financial position as at 31 December 2009 and the statements of income, comprehensive income, changes in equity and cash flow 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 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 2009, 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.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2009

Bahraini dinars

	Notes	2009	2008
CURRENT ASSETS			
Cash and bank		453,133	726,258
Short-term fixed deposits		3,410,631	1,451,447
Trade receivables	3	736,361	1,164,246
Accrued income and other receivables	4	306,473	381,352
Inventories	5	1,482,686	1,017,103
Total current assets		**6,389,284**	4,740,406
NON-CURRENT ASSETS			
Available for sale investments	6	4,996,286	5,958,523
Held to maturity investments	7	919,630	919,630
Investment in associated company	8	1,163,900	1,409,562
Property, plant and equipment	9	445,147	522,958
Total non-current assets		**7,524,963**	8,810,673
TOTAL ASSETS		**13,914,247**	13,551,079
CURRENT LIABILITIES			
Trade payables		94,759	301,402
Accrued expenses and other current liabilities	10	422,796	317,589
Total current liabilities		**517,555**	618,991
NON-CURRENT LIABILITIES			
Provision for labour law obligations		131,081	124,778
TOTAL LIABILITIES		**648,636**	743,769
EQUITY			
Share capital	11	2,922,217	2,924,528
Reserves		8,281,626	8,318,153
Retained earnings		2,061,768	1,564,629
Total equity (pages 6 & 7)		**13,265,611**	12,807,310
Total Liabilities and equity		**13,914,247**	13,551,079

The financial statements were approved by the board of directors on 21 February 2010 and signed on its behalf by:

Yousuf Saleh Al-Saleh
Chairman

Jaffar Habib Ahmed
Vice chairman

These financial statements consist of pages 3 to 30.

INCOME STATEMENT
for the year ended 31 December 2009 Bahraini dinars

	Notes	**2009**	2008
SALES	12	10,948,239	11,019,940
Cost of sales	12,13	(10,675,257)	(11,131,478)
GROSS PROFIT/(LOSS)		**272,982**	(111,538)
OTHER OPERATING EXPENSES	14	(382,561)	(350,814)
GOVERNMENT GRANT	15	1,156,241	1,141,629
OPERATING PROFIT		**1,046,662**	679,277
OTHER INCOME			
Investment income	16	331,547	246,505
Share of (loss)/ profit in associate	8	(107,003)	191,347
Provision for impairment of AFS investments	6	(36,776)	(372,325)
Other income		72,332	115,780
NET PROFIT FOR THE YEAR		**1,306,762**	860,584
Earning per share	17	**44 fils**	29 fils

Yousuf Saleh Al-Saleh
Chairman

Jaffar Habib Ahmed
Vice chairman

These financial statements consist of pages 3 to 30.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

Bahraini dinars

	2009	2008
Profit for the year	**1,306,762**	860,584
Other comprehensive income:		
Fair value reserve (AFS investments):		
Change in investments fair value	(355,482)	(1,199,380)
Net change in fair value of investment in associate	60,384	(136,768)
Transferred to income statement as a result of AFS impairment	36,776	372,325
Reserve transferred to income statement upon sale of AFS investment	91,119	(35)
Other comprehensive income for the year	(167,203)	(963,858)
Total comprehensive income for the year	**1,139,559**	(103,274)

These financial statements consist of pages 3 to 30.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

Bahraini dinars

2009	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	(49,520)	1,286,894	3,993,000	1,000,000	2,038,259	1,564,629	12,807,310
Profit for the year	-	-	-	-	-	-	1,306,762	1,306,762
Other comprehensive income:								
Fair value reserve (AFS investments):								
Change in investments fair value	-	-	-	-	-	(355,482)	-	(355,482)
Net change in fair value of investment in associate	-	-	-	-	-	60,384	-	60,384
Transferred to income statement as a result of AFS impairment	-	-	-	-	-	36,776	-	36,776
Reserve transferred to income statement upon sale of AFS investment	-	-	-	-	-	91,119	-	91,119
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(167,203)**	**-**	**(167,203)**
Adjustments related to investment in associate	-	-	-	-	-	-	(87,239)	(87,239)
Dividend declared for 2008	-	-	-	-	-	-	(528,951)	(528,951)
Directors' remuneration paid for 2008	-	-	-	-	-	-	(62,757)	(62,757)
Purchase of treasury shares	-	(2,311)	-	-	-	-	-	(2,311)
Transfer to statutory reserve	-	-	130,676	-	-	-	(130,676)	-
At 31 December	**2,974,048**	**(51,831)**	**1,417,570**	**3,993,000**	**1,000,000**	**1,871,056**	**2,061,768**	**13,265,611**

These financial statements consist of pages 3 to 30.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009 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
Profit for the year	-	-	-	-	-	-	860,584	860,584
Other comprehensive income:								
Fair value reserve (AFS investments):								
Change in investments fair value	-	-	-	-	-	(1,199,380)	-	(1,199,380)
Net change in fair value of investment in associate	-	-	-	-	-	(136,768)	-	(136,768)
Transferred to income statement as a result of AFS impairment	-	-	-	-	-	372,325	-	372,325
Reserve transferred to income statement upon sale of AFS investment	-	-	-	-	-	(35)	-	(35)
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(963,858)**	**-**	**(963,858)**
Dividend declared for 2008	-	-	-	-	-	-	(529,131)	(529,131)
Directors' remuneration paid for 2008	-	-	-	-	-	-	(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**

The financial statements consist of pages 3 to 30.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2009 Bahraini dinars

	2009	2008
OPERATING ACTIVITIES		
Cash received from customers	9,515,616	9,156,717
Subsidies received from Bahrain Government	1,962,575	1,141,319
Payments to suppliers	(8,796,718)	(8,118,444)
Payments to employees and others	(1,494,596)	(1,361,659)
Cash flows from operating activities	**1,186,877**	817,933
INVESTING ACTIVITIES		
Purchase of equipment	(10,328)	(23,282)
Proceeds from held to maturity investments matured during the year	-	188,500
Proceeds from sale of available for sale investments	622,050	208,105
Purchase of available for sale investments	(37,276)	(879,041)
Purchase of additional shares in associate	-	(401,280)
Interest and dividends received	368,446	307,902
Dividends received from an associate	111,804	95,832
Cash flows from investing activities	**1,054,696**	(503,264)
FINANCING ACTIVITIES		
Dividends paid	(490,446)	(608,559)
Directors' remuneration paid	(62,757)	(52,884)
Purchase of treasury shares	(2,311)	(2,818)
Cash flows from financing activities	**(555,514)**	(664,261)
Net increase/ (decrease) in cash and cash equivalents	**1,686,059**	(349,592)
CASH AND CASH EQUIVALENTS at beginning of the year	2,177,705	2,527,297
CASH AND CASH EQUIVALENTS at end of the year	**3,863,764**	2,177,705
Comprising:		
Cash and bank	453,133	726,258
Short-term fixed deposits	3,410,631	1,451,447
	3,863,764	2,177,705

These financial statements consist of pages 3 to 30.

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) Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009, are relevant to the Company.

I. IAS 1 (revised) - Presentation of Financial Statements

Revised IAS 1- Presentation of Financial Statements became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owners' changes in equity, whereas all non-owners' changes in equity are presented in the statement of comprehensive income. Total comprehensive income may be presented in either:

- a single statement of comprehensive income (effectively combining both the income statement and all non-owners' changes in equity in a single statement), or
- in an income statement and a separate statement of comprehensive income.

The Company has opted to present the total comprehensive income in two separate statements - a statement of income and a separate statement of comprehensive income.

In accordance with the transitional requirements of the Standard, the Company has provided full comparative information. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Company.

2 Significant accounting policies (continued)

II. Amendments to IFRS 7, 'Financial instruments: Disclosures'

The amendment to IFRS 7 requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Company. These additional disclosures have been presented for the current financial reporting period and in line with the transitional provisions, comparative information has not been provided.

III. IFRS 8 - Determination and presentation of operating segments

IFRS 8 - Determination and presentation of operating segments became effective as of 1 January 2009. The Company's operating segments for external reporting is based on internal reports provided to the General Manager, who is the Company's chief operating decision maker, in order to assess each segment's performance and to allocate resources to them.

The Company's current basis of identification of operating segments is substantially in line with the requirements of the revised standard. Comparative segment information has been presented in conformity with the transitional requirement of IFRS 8 and only impacts presentation and disclosures aspects but does not have an impact on the financial position or the comprehensive income of the Company.

IV. Improvements to IFRS (issued in May 2008)

Improvements to IFRS issued in May 2008 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2009 have been adopted by the Company and no material changes to accounting policies arose as a result of these amendments.

d) Revenue recognition
Income from sales of chickens & feeds are recognised when a customer becomes entitled to receive the goods. Income from sales of chicks is recognized once the chicks are delivered to the farms. Income from investments is accounted for when dividends are declared. Bank interest is recognised on accrual basis.

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

f) Government grant
Government grant related to sales of chickens and feeds in Bahrain which are received against sale price fixing are recognised in the income statement as other operating revenue when the grant becomes receivable. Government subsidy toward farmers' production of chickens upon receipt of live chickens from farmers and treat it as a reduction from cost of sales.

g) 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)

h) 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 reporting 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.

i) 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.

j) Investment securities

I. 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.

II. 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)

III. 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 other comprehensive income. 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.

IV. 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.

V. 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.

VI. Impairment of investment securities

The Company assesses at each reporting 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 other comprehensive income 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.

k) 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)

l) Provisions
A provision is recognised at the reporting date 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.

m) 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 reporting 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.

n) 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.

o) 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.

p) 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)

q) Impairment
The carrying amount of the company's assets, other than inventories (refer accounting policy above) are reviewed at each reporting 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.

r) 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.

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

t) Employees' end of service benefits

(i) Bahraini employees

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation 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 reporting date.

3 TRADE RECEIVABLES	**2009**	2008
Balance at 31 December	738,813	1,209,453
Provision for impairment	(2,452)	(45,207)
Balance at 31 December	**736,361**	1,164,246

4 ACCRUED INCOME AND OTHER RECEIVABLES	**2009**	2008
Accrued income	276,477	359,744
Advances to suppliers	20,559	31,070
Prepaid expenses	10,053	9,910
Others	19,943	11,698
	327,032	412,422
Less – impairment provision	(20,559)	(31,070)
	306,473	381,352

NOTES
to the 2009 financial statements Bahraini dinars

5 INVENTORIES	**2009**	2008
Finished goods		
- Feed	15,564	31,452
- Frozen/chilled chicken	26,894	17,657
Hatching eggs - hatchery	86,239	69,146
Raw material and packing materials	938,675	513,714
Spare parts for plant and machinery	446,931	407,880
	1,514,303	1,039,849
Provision for impairment	(31,617)	(22,746)
	1,482,686	1,017,103

6 AVAILABLE-FOR-SALE INVESTMENTS	**2009**	2008
Classification:		
Quoted equity securities	2,576,768	2,749,362
Unquoted equity securities	208,827	204,514
Managed funds	2,210,691	3,004,647
	4,996,286	5,958,523
Movement:		
At 1 January	5,958,523	6,486,789
Purchase of AFS investments	37,276	879,254
Sale of AFS investments	(735,150)	(208,105)
Net change in fair value reserve	(264,363)	(1,199,415)
At 31 December	**4,996,286**	5,958,523

Impairment loss provision for AFS investments has been recognized for BD 36,776 in the current year (2008: 372,325) and has been transferred from fair value reserve to income statement.

7 HELD-TO-MATURITY INVESTMENTS	**2009**	2008
Government Bonds	481,130	481,130
Commercial Companies Bonds	438,500	438,500
	919,630	919,630

8 INVESTMENT IN ASSOCIATED COMPANY

	Carrying amount	**Goodwill**	**2009**	2008
At 1 January	1,348,478	61,084	1,409,562	1,049,535
Share of company in (loss) / profit for the year	(107,003)	-	(107,003)	191,347
Fair value reserve	60,384	-	60,384	(136,768)
Purchase of additional shares	-	-	-	401,280
Dividends received	(111,804)	-	(111,804)	(95,832)
Other adjustment	(87,239)	-	(87,239)	-
At 31 December	**1,102,816**	**61,084**	**1,163,900**	1,409,562

The company owns 33% share in Bahrain Livestock Company BSC (closed).In applying the equity method; the last Management Accounts as of 31 December 2009 have been used, which included the following data:

NOTES
to the 2009 financial statements Bahraini dinars

8 INVESTMENT IN ASSOCIATED COMPANY (continued)

SUMMARY OF FINANCIAL INFORMATION OF ASSOCIATE	2009	2008
Current assets	9,606,544	9,159,926
Non-current assets	346,017	262,386
Total assets	**9,952,561**	9,422,312
Current liabilities	6,911,462	5,336,014
Total liabilities	**6,911,462**	5,336,014
Revenues	38,793,710	35,397,641
Expenses	39,088,779	34,788,386
Net profit	**(295,069)**	609,255

9 PROPERTY, PLANT AND EQUIPMENT	Buildings	Plant and machinery	Vehicles furniture, and tools	Work in progress	2009 Total	2008 Total
Cost						
At beginning of year	3,446,067	4,319,193	1,617,006	5,043	9,387,309	9,329,071
Additions	4,050	26,911	16,568	-	47,529	58,631
Disposals	-	-	(27,915)	(4,073)	(31,988)	(393)
At 31 December	**3,450,117**	**4,346,104**	**1,605,659**	**970**	**9,402,850**	9,387,309
Depreciation						
At beginning of year	3,226,682	4,127,852	1,509,817	-	8,864,351	8,723,964
Charge for the year	37,548	46,133	37,586	-	121,267	140,387
Disposals	-	-	(27,915)	-	(27,915)	-
At 31 December	**3,264,230**	**4,173,985**	**1,519,488**	**-**	**8,957,703**	8,864,351
Net carrying value						
At 31 December 2009	**185,887**	**172,119**	**86,171**	**970**	**445,147**	522,958
At 31 December 2008	219,385	191,341	107,189	5,043	522,958	

The reclaimed land at Minaa Salman on which the feedmill was built and the land at Hamala on which the administration and the slaughterhouse, and the land at Buhair on which chicks hatchery is built are all owned by the Government.

10 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	2009	2008
Unclaimed declared dividends (1986-2008)	148,864	136,006
Payments received in advance from farmers	82,285	43,972
Accrued expenses	25,781	26,620
Miscellaneous payables	165,866	110,991
	422,796	317,589

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11 SHARE CAPITAL

	2009	2008
Authorised: BD 10 million		
Issued and fully paid: 29,740,480 shares of 100 fils each	2,974,048	2,974,048
364,539 treasury shares (2008: 354,340)	(51,831)	(49,520)
Net shares in public issue	**2,922,217**	2,924,528

Performance per share		
Earnings per 100 fils share	44 fils	29 fils
Net asset value per 100 fils share	452 fils	436 fils
Stock Exchange price per 100 fils share at 31 December	226 fils	241 fils
Stock Exchange price to earnings ratio	5:1	8:1
Total market capitalisation at 31 December	6,638,963	7,082,060

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 2009:

	Nationality	**No. of shares**	**% holding**
Social Insurance Organization	Bahraini	5,716,220	19.22
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	1,773,615	5.96

(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%	9,258,283	1,539	31.13
1% up to less than 5%	3,805,714	8	12.8
5% up to less than 10%	6,601,803	3	22.2
10% up to less than 20%	10,074,680	2	33.87
	29,740,480	1,562	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.

Comparative segment information has been presented in conformity with the transitional requirement of IFRS 8 and only impacts presentation and disclosures aspects but does not have an impact on the financial position or the comprehensive income of the Company.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit /or (loss) as included in the internal management reports that are reviewed by the Company's General Manager. Segment profit /or (loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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.

2009	Chicken		Feeds		Chicks		Unallocated		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenue from external customers	5,984,355	6,040,107	3,717,944	3,824,594	1,245,940	1,155,239	-	-	10,948,239	11,019,940
(Loss) / profit from associate	-	-	-	-	-	-	(107,003)	191,347	(107,003)	191,347
Investment income	-	-	-	-	-	-	331,547	246,505	331,547	246,505
Government grant	613,031	605,510	543,210	536,119	-	-	-	-	1,156,241	1,141,629
Other income	8,403	25,146	57,220	89,582	3,867	-	2,842	1,052	72,332	115,780
Total segment revenues	**6,605,789**	6,670,763	**4,318,374**	4,450,295	**1,249,807**	1,155,239	**227,386**	438,904	**12,401,356**	12,715,201
Direct operation costs	5,707,676	5,685,125	3,632,104	4,242,827	1,226,647	1,077,160	-	-	10,566,427	11,005,112
Indirect operation costs	-	-	-	-	-	-	370,124	336,792	370,124	336,792
Depreciation	64,854	81,399	6,953	7,775	37,023	37,192	12,437	14,022	121,267	140,388
Impairment of assets	-	-	-	-	-	-	36,776	372,325	36,776	372,325
Total segment costs	**5,772,530**	5,766,524	**3,639,057**	4,250,602	**1,263,670**	1,114,352	**419,337**	723,139	**11,094,594**	11,854,617
Segment profit / (loss)	**833,259**	904,239	**679,317**	199,693	**(13,863)**	40,887	**(191,951)**	(284,235)	**1,306,762**	860,584
Segment assets	**1,098,103**	1,595,978	**1,280,886**	972,971	**403,659**	416,040	**11,131,599**	10,566,090	**13,914,247**	13,551,079
Segment liabilities	**25,988**	153,065	**121,172**	98,004	**44,771**	101,383	**456,705**	391,317	**648,636**	743,769

13 COST OF SALES

	Chicken	Feed	Chicks	**Total 2009**	Total 2008
Raw materials	5,185,286	3,230,337	1,055,604	9,471,227	9,687,668
Staff cost	897,562	270,484	131,512	1,299,558	1,176,973
Depreciation	64,854	6,953	37,023	108,830	126,366
Other	258,036	131,283	39,531	428,850	428,213
Less: Farmers' subsidy *	(633,208)	-	-	(633,208)	(287,742)
Total	**5,772,530**	**3,639,057**	**1,263,670**	**10,675,257**	11,131,478

* Government grant for farmers production of broiler chickens which is transferred to the Company is based on 100 fils/KG effective 15 June 2008.

14 OTHER OPERATING EXPENSES

	2009	2008
Staff cost	232,386	212,890
Depreciation	12,437	14,022
Other	137,738	123,902
Total	**382,561**	350,814

15 GOVERNMENT GRANT

The Government of Bahrain provides grant to the Company of 100 fils for every KG sold locally in order to maintained the sale price stabilized. Moreover, it provides the Company with grant on local sales of feeds to farmers of broiler chickens of BD 30 per ton.

The following table shows the details of Government subsidy:

Subsidy type	**2009**	2008
Subsidy for sales of chickens	613,031	605,510
Subsidy for sales of feeds	543,210	536,119
Total Government subsidy	**1,156,241**	1,141,629

16 INVESTMENT INCOME

	2009	2008
Profit on sale of AFS investments	73,232	3,295
Interest income	95,632	94,565
Dividend income	162,683	148,645
	331,547	246,505

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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 2009 as follows:

	2009	2008
Profit for the year	1,306,762	860,584
Weighted average number of equity shares	29,375,941	29,386,140
Basic earnings per share	44 fils	29 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.

	2009	2008
Amounts due from related parties	266,289	199,954
Sales to related parties	1,583,378	1,503,802
Purchases from related parties	579,139	605,423

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:-

	2009	2008
Board remuneration	62,757	52,884
Board attendance fees	12,250	12,000
Salaries and other benefits	55,115	54,665

19 CONTINGENT LIABILITIES

	2009	2008
Bank guarantees	27,000	27,000

20 Employee benefits

The company employs 190 Bahrainis and 4 expatriates as at 31 December 2009 (2008: 184 Bahrainis and 4 expatriates).

Pension rights (and other social benefits) for **Bahraini employees** are covered by the Social Insurance Organisation 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 2009 amounted to BD 147,638 (2008: BD 126,938).

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 reporting date and is included at the reporting date under "Provision for labour law obligation". The provision for the company at 31 December 2009 in respect of expatriate employees was BD 23,189 (2008: BD 22,428).

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 47% 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:

	2009	2008
Cash and bank	453,133	726,258
Short-term fixed deposits	3,410,631	1,451,447
Trade receiables	736,361	1,164,246
Accrued income and other receivables	306,473	381,352
Available-for-sale investments	4,996,286	5,958,523
Held to maturity investments	919,630	919,630
	10,516,041	10,220,104

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

	2009	2008
Bahrain	10,034,911	9,738,974
Other Middle East Countries	481,130	481,130
	10,516,041	10,220,104

21 Financial instruments and risk management (continued)

Credit risk (continued)

The ageing of accounts receivables at the reporting date was:

	2009		2008	
	Gross	**Impairment**	Gross	Impairment
Not past due	517,721	-	726,704	-
Past due 1-30 days	199,192	-	359,062	-
Past due 31 days- one year	12,212	-	75,596	-
More than one year	9,688	2,452	48,091	45,207
	738,813	**2,452**	1,209,453	45,207

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.

As at 31 December 2009 and 2008, all financial liabilities (trade payables, accrued expenses and other liabilities have a maturity of six months or less

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.

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 2.5 % p.a. for the year ended 31 December 2009 (2008: 4%).

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

	2009	2008
Fixed rate instruments		
Short-term bank deposits	3,410,631	1,451,447
Variable rate instruments		
Investment in debt instrument	919,630	919,630
	4,330,261	2,371,077

21 Financial instruments and risk management (continued)

Liquidity risk (continued)

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 and Omani Riyal. 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:

2009	**SAR**	**UAE**	**OMR**	**USD**	**EURO**
Trade receivables	1,368	709	-	-	-
Available-for-sale investments	-	1,051	-	2,881,201	55,800
Held to maturity investments	-	-	481,130	-	-
Trade payables	18,385	374	-	-	-
	19,753	**2,134**	**481,130**	**2,881,201**	**55,800**

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

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 49,336 (2008: an increase of BD 55,279); an equal change in the opposite direction would have decreased equity by BD 49,336 (2008: a decrease of BD 55,279). The analysis is performed on the same basis for 2008.

21 Financial instruments and risk management (continued)

Market risk (continued)

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 2009 the return was 9.9 % percent (2008: 6.9 % 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

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 at the reporting date, are as follows:

2009	**Loans and receivables**	**Available-for-sale**	**Other amortised cost**	**Total carrying amount**	**Fair Value**
Cash and bank	453,133	-	-	453,133	453,133
Short-term fixed deposits	3,410,631	-	-	3,410,631	3,410,631
Trade receivables	736,361	-	-	736,361	736,361
Accrued income and other receivables	306,473	-	-	306,473	306,473
Available-for-sale investments	-	4,996,286	-	4,996,286	4,996,286
Held to maturity investments	919,630	-	-	919,630	919,630
	5,826,228	**4,996,286**	-	**10,822,514**	**10,822,514**
Trade payables	-	-	94,759	94,759	94,759
Accrued expenses and other current liabilities	-	-	422,796	422,796	422,796
	-	**-**	**517,555**	**517,555**	**517,555**

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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

Available-for-sale investments are recorded at fair values, except for investments having carrying value of 2009 BD 987,224 (2008: BD 963,594), which are carried at cost.

22 FAIR VALUE

The Company measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data. The table below analyses financial assets and liabilities carried at fair value, by valuation method.

At 31 December 2009	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets:			
Quoted equity shares	2,737,594	-	-
Managed funds	-	1,223,467	-
Total	2,737,594	1,223,467	**-**

23 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 2009, the company had decline in value of certain AFS securities below than cost by BD 227,587 (2008: 827,090) which has been assessed to be impaired in accordance with company's policy.

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.

24 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.

	2009	2008
Cash dividends	587,519	528,951
Bonus shares	146,880	-
Statutory Reserve	130,676	86,058
Remuneration of Board of Directors	90,000	62,757
Retained earnings	351,687	182,819
	1,306,762	860,585

25 NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new / amended IFRS's and interpretations have been issued which are not yet mandatory for adoption by the Company.

1) IFRS 9 Financial instruments part 1: Classification and measurement

IFRS 9 was issued in November 2009 and is applicable for reporting periods beginning on or after 1 January 2013. This standard replaces those parts of IAS 39 relating to the classification and measurement of financial assets and the key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (i.e. it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Bank is considering the implications of the standard, its impact and the timing of its adoption.

2) IAS 24 Related Party Disclosures (revised 2009)

The revised standard is applicable for reporting period beginning on or after 1 January 2011. The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard will result in certain changes to disclosures on Related Parties.

3) Amendments to IFRS 8 Operating Segments

These amendments are applicable for reporting periods beginning on or after 1 January 2010 and clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. This amendment is not expected to result in any change in the Company's financial statements.

4) Improvements to IFRS (issued in April 2009)

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

25 NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (Continued)

5) Early adoption of standards

The Company did not early adopt new or amended standards in 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.